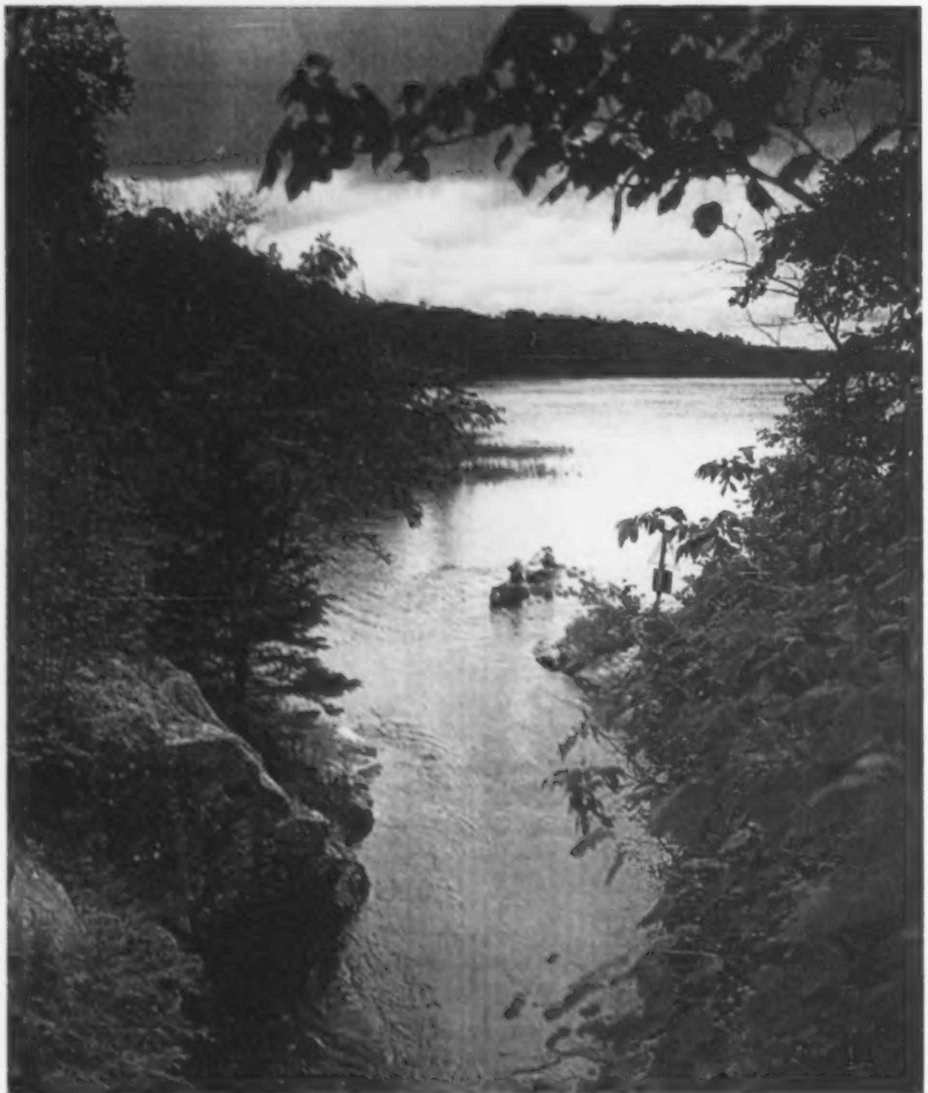


CSSB The Civil Service Superannuation Board

# 2010 Annual Report

## For more information...

You may make an appointment to view any of the following at The Civil Service Superannuation Board (Board) office, Monday to Friday (except holidays) from 8:00 a.m. to 4:30 p.m.:

- A copy of The Civil Service Superannuation Act (Act) and all amendments
- The Annual Information Return submitted each year to the Pension Commission of Manitoba
- A copy of the latest Actuarial Valuation Report

Upon request, the Board will provide members, spouses or authorized representatives with detailed information and explanations regarding benefits payable in the event of a member's retirement, death, marriage separation, or termination of employment.

For further member information, visit our website **www.cssb.mb.ca**


The Civil Service Superannuation Board

1200-444 St. Mary Avenue
Winnipeg MB R3C 3T1

Telephone: 204-946-3200
Fax: 204-945-0237
Canada-Wide Toll-Free Number: 1-800-432-5134

Internet site: www.cssb.mb.ca
E-mail: askus@cssb.mb.ca


Cover photo of the Caddy Lake Tunnels courtesy of Travel Manitoba.

# Contents

# Letters of Transmittal

Minister of Finance

Ministre des Finances

June 22, 2011

His Honour the Honourable Philip S. Lee, C.M., O.M.
Lieutenant Governor of Manitoba
Room 235 Legislative Building
Winnipeg MB R3C 0V8

May It Please Your Honour:

As Minister Responsible, I have the privilege of presenting for the information of Your Honour, the 72nd Annual Report of The Manitoba Civil Service Superannuation Board for the calendar year ended December 31, 2010.

Respectfully submitted,

Honourable Rosann Wowchuk,
Minister of Finance,
Minister Responsible for
The Civil Service Superannuation Act

---

Manitoba

The Civil Service Superannuation Board

June 20, 2011

Honourable Rosann Wowchuk
Minister of Finance,
Minister Responsible for The Civil Service Superannuation Act

Madam:

In conformity with the provisions of The Civil Service Superannuation Act, I am pleased to forward to you, the Minister Responsible for The Civil Service Superannuation Act, the 72nd Annual Report of The Civil Service Superannuation Board.

This report covers the period January 1, 2010 to December 31, 2010 and includes a review of the Board's activities for that period as well as the Report of the Office of the Auditor General and attached audited financial statements for that period.

Respectfully submitted,

Al Morin, Chair
The Civil Service Superannuation Board

## Board Members and Management

### The Civil Service Superannuation Board

**Chair**
**Al Morin**
President and Chief Executive Officer
Assiniboine Credit Union

**Employee Representatives**

**Ray Erb**
Civil Service Representative
Retired

**Monica Girouard**
Civil Service Representative
Manitoba Government and General Employees' Union

**Denise Hickson**
Manitoba Hydro Representative
Manitoba Hydro-Electric Board

**Stephen Watson**
Civil Service Representative
Retired

**Employer Representatives**

**Ed Balcewich**
Financial Advisor

**Gabriel Forest, f.c.a.**
Chartered Accountant

**Wayne McGimpsey**
Chartered Accountant

Vacant position

### Management

**Bruce Schroeder**
General Manager

**Robert Derksen**
Director, Communications and Client Services

**Dawn Prokopowich**
Director, Client Services Administration

**Robert Riddell**
Director, Management Information Systems

**Rick Wilson**
Director, Finance and Investment Communications & Management Services

**Lindsey Fuller, CFA**
Chief Investment Officer

**Ellement and Ellement**
Consulting Actuary

## Standing Committee Members

### Investment Committee

Members of the Investment Committee are appointed by the Lieutenant Governor in Council based on their investment expertise, legislative requirements or, in the case of the employee representative, elected by the employee representatives of the Board.

**Chair**
**Peter G. Munro***
Executive Vice-President and Chief Investment Officer
The Great-West Life Assurance Company

**Dick Archer***
Retired, Executive Vice-President Investments,
IGM Financial Inc.

**Richard Brownscombe***
President, Montrose Mortgage Corporation Ltd.

**Hugh Eliasson^**
Deputy Minister of Finance,
Province of Manitoba

**Monica Girouard^**
Civil Service Representative

**Al Morin^**
Chair,
The Civil Service Superannuation Board

**A. Scott Penman***
Executive Vice-President
and Chief Investment Officer
Investors Group Inc.

**Robert G. Puchniak***
Executive Vice-President
and Chief Financial Officer,
James Richardson & Sons, Limited

**Bruce Schroeder^**
General Manager,
The Civil Service Superannuation Board

The Investment Committee also manages the assets of the Manitoba Hydro Employer Fund and three Centra Gas portfolios. Manitoba Hydro appointed the following person as their representative to those committees in conjunction with the above members.

**Vince Warden**
Senior Vice-President,
Finance and Administration, CFO,
Manitoba Hydro-Electric Board

* Appointed based on investment expertise
^ Required by legislation

### Compensation Committee

**Chair**
**Ray Erb**
Employee Representative

**Ed Balcewich**
Employer Representative

**Monica Girouard**
Employee Representative

### Finance and Audit Committee

**Chair**
**Gabriel Forest, f.c.a.**
Employer Representative

**Ray Erb**
Employee Representative

**Wayne McGimpsey**
Employer Representative

**Stephen Watson**
Employee Representative

### Governance Committee

**Chair**
**Denise Hickson**
Employee Representative

**Ed Balcewich**
Employer Representative

**Ray Erb**
Employee Representative

## The Civil Service Superannuation Board

The Board has the fiduciary responsibility for the administration of the Plan and management of the investment funds in the best interest of all Plan members and beneficiaries. It is also responsible to:

- Ensure that staff fulfil the investment and administrative obligations set out in the Act and comply with the requirements of both the Pension Benefits Act of Manitoba and the Income Tax Act
- Delegate the day-to-day management to the General Manager and staff
- Provide overall direction and approval of policy items

These duties are vested in four members that are elected by participating employees and five members including a chair that are appointed by Government. The Board meets 10 to 12 times per year.

As the Plan trustee, the Board is required to:

- Manage The Civil Service Superannuation Fund (Fund) in accordance with the rules of the Plan, governing legislation, and common law in the interest of Plan members and their beneficiaries
- Obtain an actuarial valuation every three years
- Regularly review its investment policy
- Obtain an independent audit each year
- Prepare an Annual Report

The day-to-day management of investment assets and delivery of pension and insurance benefits is accomplished by a dedicated and diverse team consisting of approximately 50 staff members.

## Your Pension Plan

Your Plan is a "defined benefit" plan which means that your pension is based on a formula that provides pension, disability, death and termination benefits for all eligible members. The formula is based on your years of service and average salary. While some employers match (to the extent required by legislation) employee contributions, others are obligated to fund their share of benefits paid in the future.

The amount of pension a member will receive is not directly related to investment returns. Good investment returns are necessary to secure the Fund's ability to continue to meet its current and future obligations to pay benefits, and are the major contributor to surplus.

A member may be eligible to retire as early as age 55. Unless the person is age 60 or older with 10 years of service, or has achieved the Rule of 80 (age plus service), there is a reduction for early retirement. Members who reach age 65 may receive an unreduced pension providing they have at least one year of service.

All employees who are employed full time are required to join the Plan. Seasonal and part-time employees are required to join after meeting an earnings test (when they have earned 25% of the Yearly Maximum Pensionable Earnings (YMPE) under the Canada Pension Plan in each of two successive calendar years).

## Highlights

| | | 2010 (*) | 2009 (*) |
|---|---|---|---|
| **Financial** | Rate of Return on Investments | 12.67% | 14.06% |
| | Investments at Market Value | 4,915,555 | 4,001,189[1] |
| | Net Investment Income | 122,516 | 133,003 |
| | Current Period Change in Fair Value of Investments | 417,440 | 364,891 |
| | Employee Contributions | 109,924 | 107,593 |
| | Employer Payments | 151,255 | 139,556 |
| | The Province of Manitoba Unfunded Pension Liability Trust Account 1 | 1,201,935 | 643,766 |
| | The Province of Manitoba Unfunded Pension Liability Trust Account 2 | - | 89,211 |
| | Pension Payments | 291,168 | 270,006 |
| | Refunds and Transfers | 27,517 | 24,238 |
| | General Expenses - Net | 1,540 | 1,563 |

* $Thousands unless otherwise noted
[1] Excludes Province of Manitoba Trust Account 2

| | | 2010 | 2009 |
|---|---|---|---|
| **Membership** | Non-Retired Members | 32,833 | 32,210 |
| | Retired Members and Other Recipients | 16,661 | 16,023 |
| | **Total Members** | **49,494** | **48,233** |

| | | | |
|---|---|---|---|
| **Other Plans Under Administration** | Manitoba Telecom Services Inc.^ | 6,336 | 6,456 |
| | Money Purchase Accounts Plan | 1,995 | 1,900 |
| | Centra Gas^ | 819 | 824 |
| | Winnipeg Child and Family Services^ | 316 | 321 |
| | MLA's^ | 112 | 115 |
| | Legislative Assembly Pension Plan | 65 | 64 |
| | **Total Membership (all Plans)** | **59,137** | **57,913** |

^ Active and Retired

# Message from the Chair

*Al Morin*

With positive results shown by the financial markets over the past year, there is some reason for optimism for continued recovery and growth looking ahead to 2011. While the investment rate of return for The Civil Service Superannuation Fund (Fund) was quite favorable at 12.67% this year, we still have some ground to make up from the financial market collapse of a couple of years ago that had an effect on most pension funds, including our own.

Despite holding a reserve to help offset years of poorer investment returns, no one anticipated that we would be affected by the worst returns in the history of the Fund. I can assure you that the Board is taking active measures to help solidify the financial position of the Fund and not simply sitting back in hope that a few years of strong returns will make up previous losses.

As discussed in my report last year, I want to reaffirm the Board's commitment to continue to conduct annual Actuarial Valuations until such time as we feel confident that we are again well positioned to meet the Fund's future pension liabilities. The valuation as at December 31, 2010, which will be the second consecutive year (as opposed to every three years), is currently underway and once completed, will provide a clearer picture, and will help to determine a course of action to ensure we continue along the road to recovery.

These Valuations will help to determine whether contributions and investment returns are sufficient to fund future benefits. Previous years that produced funding surpluses have contributed to plan improvements and/or maintaining steady contribution rates. Should valuations indicate that estimated past service contributions are insufficient, such as the valuation completed for December 31, 2009, future service contribution rates may need to be increased to help address the shortfall. As a result, our Actuary has put forth a recommendation to both the Employee Liaison and Employer Advisory Committees that the contribution rate be increased approximately 2% on all pensionable salary.

Another event during 2010 that had a significant impact on the Board, specifically service delivery to our membership, was the implementation of changes to the Pension Benefits Act (PBA). Although the Board operates under The Civil Service Superannuation Act, all pension plans in Manitoba fall under the jurisdiction of the PBA. Given the relatively short implementation notice, Board staff were required to review detailed documentation outlining the changes, determine the impact on our computer programming and service delivery, and formulate a strategic plan to prioritize the workload in an extremely tight timeframe. It was decided to focus on the changes to the areas that could potentially have the greatest affect on our membership. Given the magnitude of the changes, Board staff were faced with some difficult, but necessary decisions. As a result, some processing, such as termination refunds were temporarily suspended to avoid creating incorrect payments and potential overpayments. I am pleased to report however, that changes with the greatest impact have been successfully resolved and staff continue to work through other areas on a priority basis. Your continuing patience is greatly appreciated.

The Board has made a commitment to the development and maintenance of an appropriate and effective governance structure for the CSSB. I can assure you that this remains a high priority and something the Board takes very seriously. The Board undertook a major review of the governance structure of the plan starting in 2009. The review provided the Board with insight as to where the processes currently in place could be strengthened and, to that end, the Board continues to work in consultation with the Governance Committee to ensure that the Board adheres to the timetable and the processes necessary to fulfil its mandate.

With the January 31, 2011 expiration of the terms for appointed members of the Board, I would like to take this opportunity to welcome new Board Members Mr. Ed Balcewich and Mr. Wayne D. McGimpsey, who were recently appointed to the Board. There are two Board members who will be leaving us in 2011. Mr. Merv Worden served on the Board for the past three years and Ms Carmele Peter, who was the longest serving member with 17 years on the Board. On behalf of your colleagues on the Board, management and staff, as well as all of the members and stakeholders, our sincere appreciation and thanks to you for your assistance and contributions as members of The Civil Service Superannuation Board.

## Message from the General Manager

*Bruce Schroeder*

I am pleased to report that The Civil Service Superannuation Fund (CSSF) had a solid year of investment returns in 2010. The 2010 rate of return was 12.67%, exceeding both the benchmark set by the Board of 10.50% and the assumed actuarial rate of 6.00%. Exceeding the actuarial rate continues to help the plan offset the negative returns experienced in 2008. To maintain stability, the cornerstone of a defined benefit pension plan, our philosophy and strategy remains constant, the pension plan invests with a long-term horizon in mind. It is important that the investment strategy remains consistent and does not "chase" the popular trends of the day.

2010 was an extremely busy year for The Civil Service Superannuation Board (CSSB). The Pension Commission announced at the end of March 2010 that there would be changes to the Pension Benefits Act Regulation (PBAR) effective May 31, 2010. The changes were substantial and required much consideration and research to ensure that the CSSF would remain in compliance with the requirements. The changes to the regulations resulted in some delays in processing, but those were generally cleared up by the end of 2010, although some areas that require change are still in process. We continue to work at re-programming our systems to accommodate the multitude of changes. The major impact areas of the changes are outlined on our website at www.cssb.mb.ca.

As reported in last year's report, the CSSF performed an actuarial valuation as at the end of 2009. The results were presented to the Board and are also available on the Board's website.

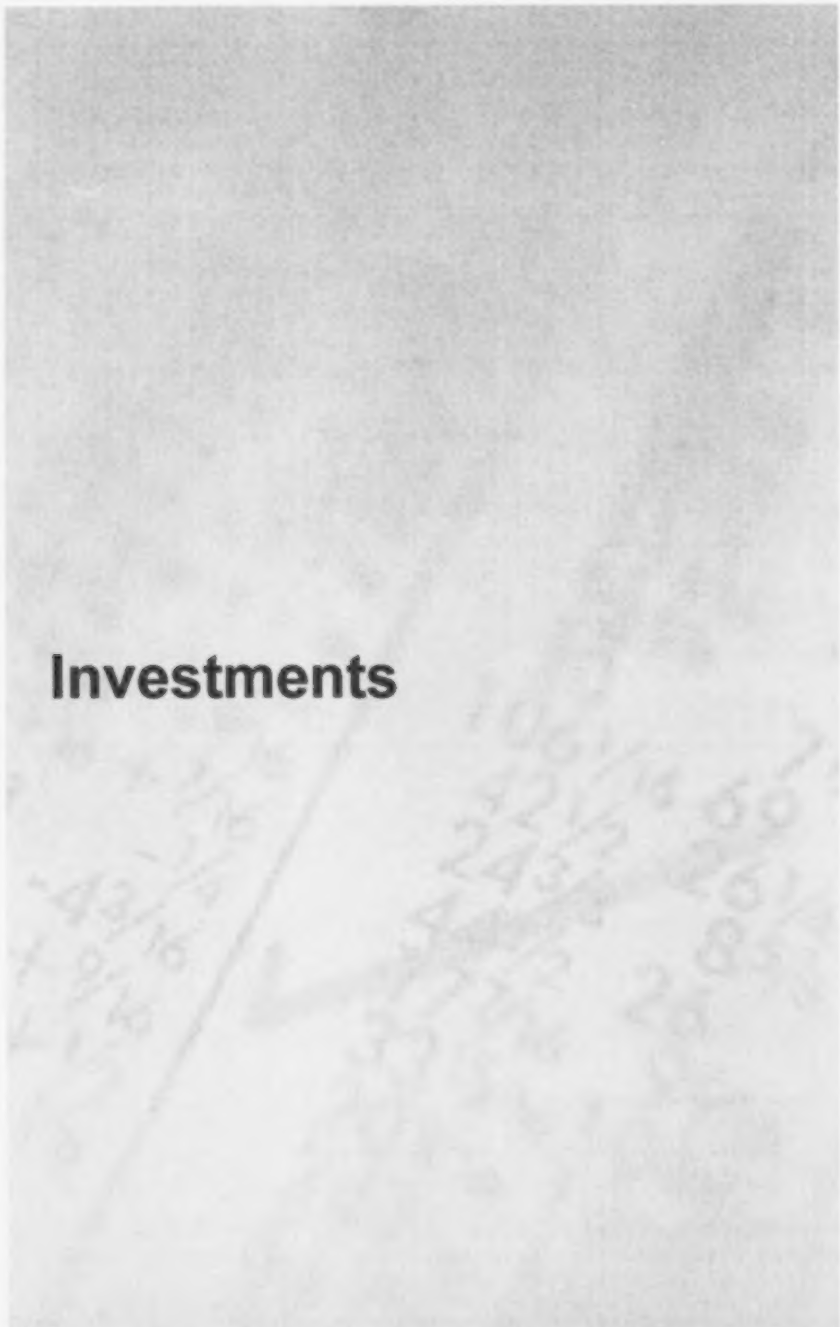
Approximately every ten years the CSSB hosts a pension conference with participants from all the major public sector plans across Canada. In 2010 it was our turn to host. The conference provides us with access to the experience and knowledge of the largest plans in Canada such as Ontario Teachers', the Federal Government pension plan, and OMERS. Having access to the knowledge and experience of the largest pension plans in Canada provides an invaluable exchange of ideas and provides a forum where solutions to issues common throughout the Canadian pension industry can be discussed.

In 2011 we plan to continue with the implementation of the remaining PBAR changes. We will also continue to work at developing and improving delivery of our web based services. The CSSB is also undertaking a major initiative in the area of business continuity and disaster recovery planning. We are looking at areas of our current plans that require strengthening so that an unforeseen event will not cause a major disruption of service to our membership. Our goal is to continue providing services in the unlikely event that an unforeseen circumstance does occur.

As always, a successful year is determined by the staff and their high level of commitment to service. The staff of the Board worked through a challenging year in the face of PBA changes and I would like to thank them for their efforts to maintain services in trying circumstances.

I would also like to thank the Board for their guidance and support.

# Investments



# Guidelines and Practices

## Policies and Procedures

The Fund's Statement of Investment Policies and Procedures (SIP&P) guides the investment decision making process. This document is created by independent consultants and matches the Fund's assets with its liabilities, now and into the future. Upon its approval by the Board, this document is put into effect and is monitored for compliance. The SIP&P includes such things as appropriate asset mix limits, investment grade quality, holding limits, investment objectives, valuation procedures and investment management structure.

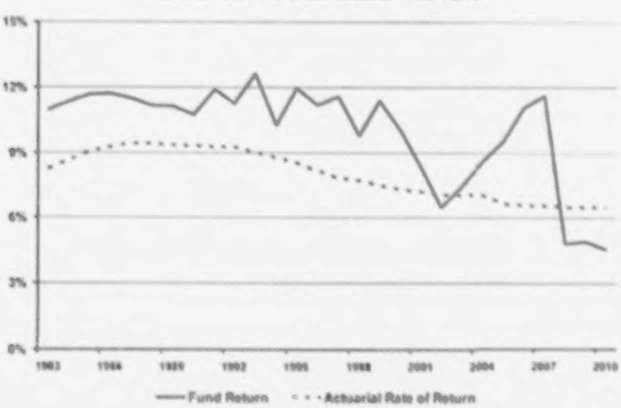
Asset mix is the single most important factor in determining pension fund performance. Different risk elements relating to market volatility and potential returns are factored into an investment decision. Investments that produce lower returns are generally a result of lower risk or volatility. In order to optimize returns and reduce investment volatility, Fund assets are diversified among the various asset classes and across the world's economic regions.

> ***"In order to optimize returns and reduce investment volatility, Fund assets are diversified among the various asset classes and across the world's economic regions."***

## Long-term Success of Investment Policy

The ultimate success of the Fund's investment policy is measured by how well it meets the long-term obligations for its members. An actuarial valuation on the Fund is the best way to measure this obligation. The significant negative fund returns due to the world financial crisis in 2008 continue to pull down the moving five-year annualized returns. Should equity markets attain their historical levels of performance, Fund returns should move back above the actuarial rate of return. Pension fund rates of return are sometimes measured in five-year periods to emphasize longer-term trends which are more relevant to pension funding, rather than short-term volatility. The following chart compares the Fund's five-year moving rate of return and the actuarially required rate (converted from three-year rates to five-year moving rates for comparison).

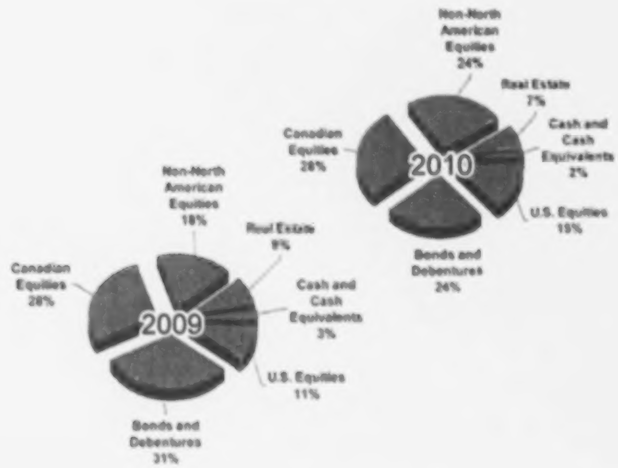
### FIVE-YEAR ANNUALIZED RETURN



Policies and procedures that continue to guide or impact investment decisions include:

- Statement of Investment Policies and Procedures
- Investment Manager Mandates
- Proxy Voting Policy and Guidelines

FUND INVESTMENTS




INVESTMENT POLICY NORMAL ALLOCATION

## Overview

The Fund was up 12.67% in 2010, which represents the second straight year of double digit gains. Such a rebound in financial markets should be expected following the poor market conditions in 2008. With the Fund's benchmark up 10.50%, the Fund's return exceeded it by 2.17% (217 basis points). Most asset classes contributed to this outperformance. Non-North American equities were the best relative asset class, earning 11.85% versus a benchmark of 5.07%. The Fund's overweight in emerging markets was a major factor. Fixed income, the largest asset class, also added significant value, earning 10.13% versus a benchmark of 8.60%. Canadian equities produced the highest asset class return, earning 19.11% versus a benchmark of 17.78%. Real Estate valuations recovered well and the portfolio earned 12.49% versus a benchmark of 11.12%. U.S. equities underperformed, 7.54% versus 9.35%.

Many of the problems generated by the financial crisis have yet to be solved, however most world central banks and governments remained accommodative during the year, supporting financial markets. Problems remain to be dealt with, specifically major developed country fiscal imbalances. Many European countries continue to be in difficulty and some of the smaller ones may have to default and restructure their debts. That doesn't appear to be imminent and the financial authorities are aware of the issues and are using several approaches to contain the problems. At the end of the day, it is difficult to see how everything can be moved on-side without stronger growth.

The large deficits and growing debt service costs adding up year-after-year make strong, sustained growth in most of the western economies doubtful. Inflation is becoming more of an issue, particularly in the strong emerging economies. Several innovative strategies are being employed by central banks to contain both rising inflation and rising currencies. China is making heavy use of moral suasion and increasingly tough measures to contain home prices and inflation in general. These measures all bring the risk of further problems, but can be effective in the short-term.

There are basically two worlds at the moment. Firstly, a slow growth, deficit laden, developed nation group, whose main challenge is to reduce large deficits while trying to stimulate economic growth. Secondly, a large group of developing or emerging countries who are experiencing strong economic growth, but are trying to restrain inflation.

Our strategy of overweighting equities in general and emerging markets in particular worked well in 2010.

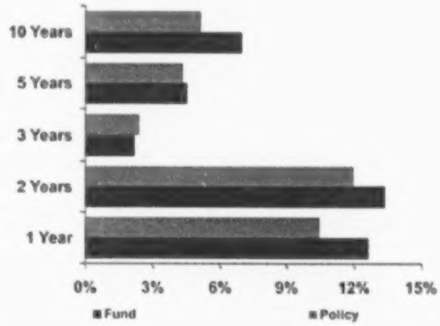
## Performance

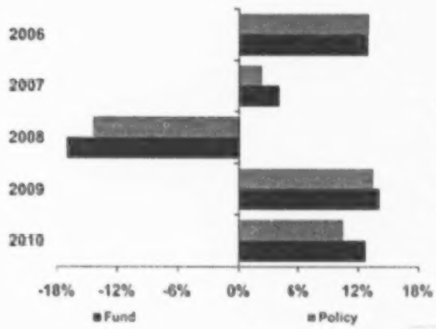
### Calculation Methodology

The returns are time-weighted rates of return before fees and expenses. They are calculated in accordance with the methodology recommended by the Chartered Financial Analyst Institute.

### Total Fund

The strong absolute and relative returns in 2010 were still insufficient to move the five year return of 4.57% above the long-term actuarial assumption of 6.00%. Over the long-term, we anticipate the Fund return should be able to exceed the actuarial assumption.

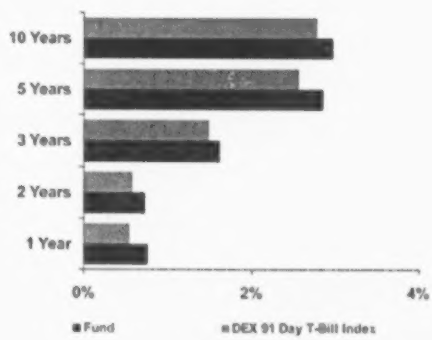



The policy return in both graphs reflects what the Fund could expect to return by indexing, or non-active management. Except for 2008, the Fund has managed to add value from active management quite consistently.

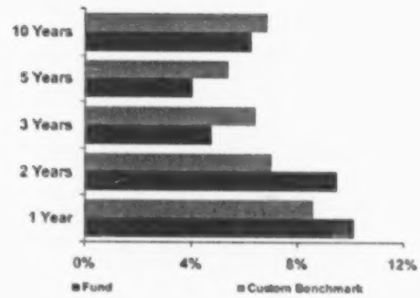
### Cash and Cash Equivalents

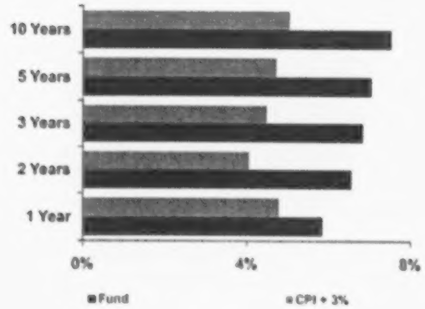
While being a very small portion of the Fund, active management added 23 basis points, 0.77%, over the DEX 91 Day T-Bill Index of 0.54%.



## Bonds and Debentures

The portfolio was well positioned for a return to more normal fixed income markets. The return of 10.13% was 1.53% above the benchmark of 8.60%. A significant overweighting of non-government securities was the main reason.



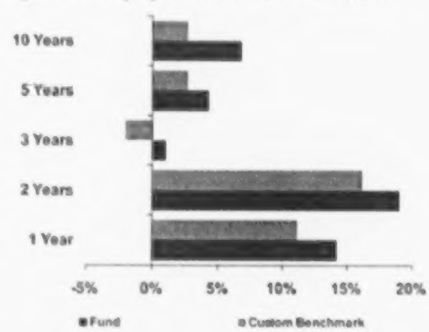

## Real Return

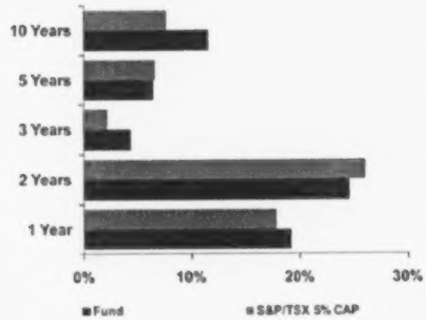
Products such as Index-Linked mortgages remain a designated vehicle to fund the Cost-of-Living Account for future benefits. Real return investments earned 5.86% in 2010 compared to its benchmark of 4.78%.

## Total Equity

The indices used to measure the performance ‹ ..ie Fund's stock portfolio are Canada's S&P/TSX 5% Capped Index (S&P/TSX 5% Cap), the U.S. Standard & Poor's 500 Index (S&P 500) and The Morgan Stanley Capital International Index World ex Canada & U.S. Based on the Fund's SIP&P, an assumed equity mix of 24% Canadian, 15% U.S. and 21% EAFE countries for total Fund assets is considered normal. As a percentage of total equity investments, this translates into 40% Canadian, 25% U.S. and 35% EAFE countries. This is referred to as the benchmark for total equities.

All equity categories delivered strong positive returns in 2010. Canadian Equities generated an 19.11% return versus the 17.78% benchmark. U.S. Equities returned 7.54% versus the 9.35% benchmark, and Non-North American Equities delivered 11.85% versus the 5.07% benchmark.



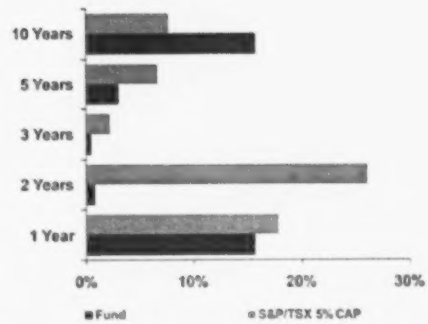


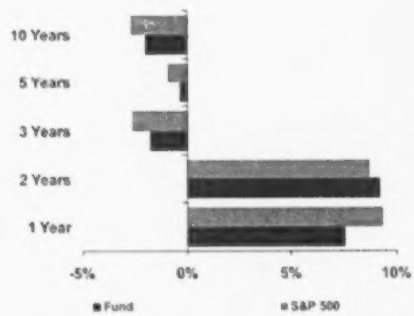

## Canadian Equity

The Fund's Canadian Equity investments produced a 19.41% return versus the 17.78% benchmark. Outperformance by the Fund's public equity managers was somewhat offset by the underperformance of private equity investments versus the benchmark.

## Private Equity

Significant new investments were made in Superman Resources as prices for properties returned to more attractive levels. These investments involve significant further capital investment, utilizing new technologies to generate strong oil and natural gas production. The anticipated cash flows from these investments should add significant value to the Fund in future years. Early results have been very encouraging. Returns from the small position in private equities continued to be disappointing.



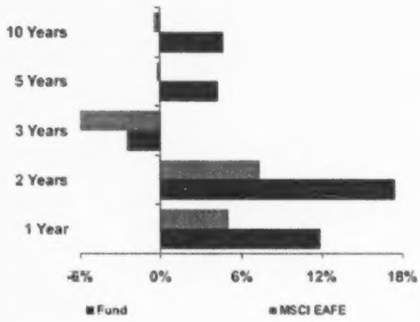



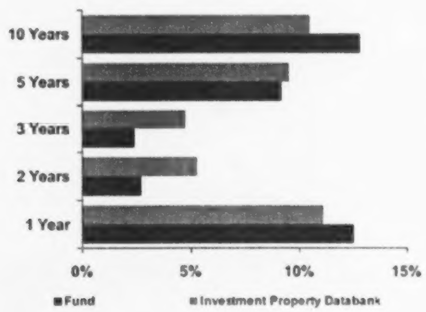

## U.S. Equity

The Fund's internal team underperformed the benchmark by 181 basis points, 7.54% versus 9.35%.

## Non-North American Equity

The year 2010 was an exceptionally strong year for the Fund's Non-North American investments. The return of 11.85% more than doubled the 5.07% benchmark. This was primarily driven by our large overweight in emerging markets, which performed far better than the European and Japanese markets.

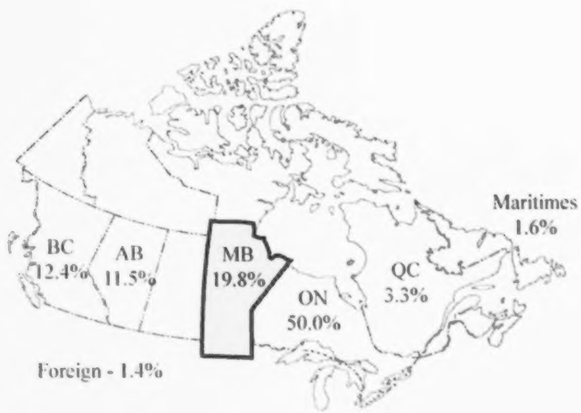



## Real Estate

Values recovered strongly during the year. The Fund sold a very large retail centre in Vancouver at a very attractive price, which significantly reduced the exposure to real estate. It has been a difficult environment in which to acquire additional well priced properties.

## Distribution by Geographic Location



## Strategy and Outlook

After two years of strong returns following the financial melt-down in 2008, we expect strong returns will be more difficult to generate in 2011. With many central banks beginning to remove some of the excess liquidity in the financial system, and inflationary pressures resurfacing, we believe there is better value in equities than bonds, given their historically low interest rates. We expect more volatility in markets compared to the very strong returns of the last two years, and high single digit returns are more likely to result. In this environment the Fund's assets will continue to emphasize equities over fixed income.

## Diversification, Growth and Stability

### Fund Investments

| | 2010 (*) | 2009 (*) |
|---|---|---|
| Contractual Investments | | |
| Cash and Short-term | 77,846 | 110,720 |
| Bonds and Debentures | 1,146,595 | 1,242,838 |
| Mortgages | 29,642 | 31,742 |
| Equity Investments | | |
| Canadian Equities | 1,543,247 | 1,126,959 |
| U.S. Equities | 619,971 | 433,423 |
| Non-North American Equities | 1,156,991 | 698,610 |
| Real Estate | 341,263 | 356,897 |
| Total Investments | 4,915,555 | 4,001,189 |

* $Thousands

# Membership

## Member Services

The Board offers the following services to members and their families, financial planners, solicitors, etc.:

### 1. Individual Meetings

Members can meet with Board staff in Winnipeg and rural areas to discuss pension and insurance benefits. The Internet allows for services similar to those provided at the Board office in Winnipeg to be offered in rural areas like Brandon and Dauphin. Members are encouraged to bring anyone they wish to these meetings, like a spouse or financial planner.

### 2. Pre-Retirement Planning Seminars

The pre-retirement planning seminar program is a half-day session designed for employees who are beginning to plan for retirement. They are presented in major centres throughout Manitoba for groups of 15 to 50 people, and members are encouraged to bring their spouses. The focus of these seminars is on pension and insurance benefits offered through the Board.

### 3. Employee Pension and Insurance Seminars

The employee information seminars focus on pension and insurance benefits, such as eligibility, entitlement to benefits, family protection, disability, death, marriage separation, etc. They are presented to groups of 15 to 250 employees of the Government and its related boards, commissions, and agencies, and last for two to three hours.

### 4. Personal and General Inquiries

Board staff are available to answer questions by way of phone and written communication.

### 5. Electronic Communications

The Board has a website and online services, allowing members to view general information and obtain detailed personalized information at their convenience.

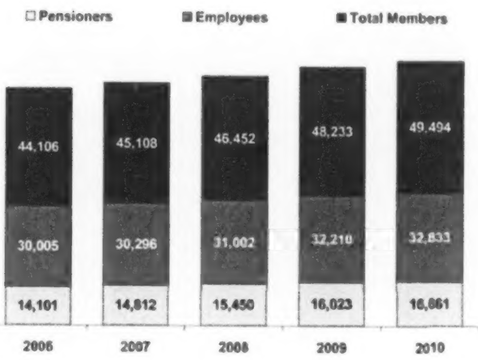
Staff are available to meet your information needs with respect to enrolment, retirement, disability, termination and pension projections for estate and retirement planning.

We ask that you have your personal identification number (PIN), social insurance number (SIN), or employee number ready when calling the office and that you make an appointment prior to visiting to assist us in serving you better.

## Members/Retirements

- Total members increased by 1,261 to 49,494 during 2010
- Employees/former employees participating in the Fund increased by 623 to 32,833
- Pensioners/beneficiaries increased by 638 to 16,661

### TOTAL MEMBERS



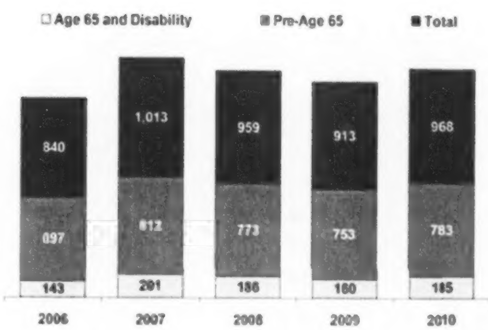

*Fund Fact*

The ratio of employees to pension recipients has dropped to below 2.00 for the first time in the history of the Fund.

### RETIREMENTS

*Fund Fact*

Following two years of decreases, the number of retirements has increased.

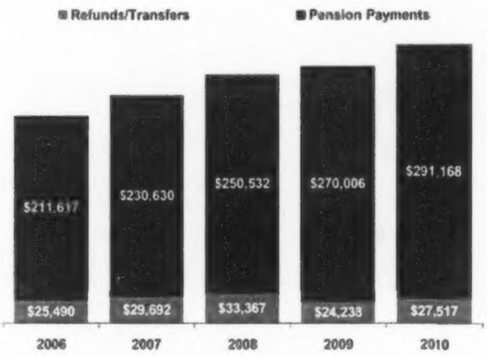


## Paying Your Benefits

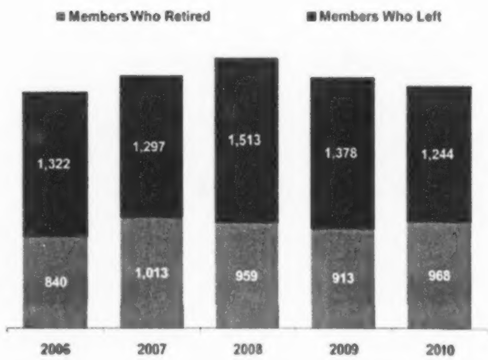
- 16,661 pensioners/beneficiaries were receiving pension benefits at the end of 2010
- $291.2 million was paid in pensions

**Fund Fact**
The annual pensioner payroll increased 7.8% while refunds/transfers increased 13.5%.

PAYMENTS FROM THE FUND (THOUSANDS)




FORMER CONTRIBUTORS




**Fund Fact**
The total number of former contributors decreased for the second year in a row.

## Employees/Former Employees

The distribution of employees/former employees by employer as at December 31, 2010 was as follows:

| Non-Matching Employers | Males | Females | Total |
|---|---|---|---|
| Province of Manitoba Civil Service | 7,013 | 8,222 | 15,235 |
| Manitoba Hydro-Electric Board | 4,377 | 1,468 | 5,845 |
| Manitoba Public Insurance | 799 | 1,093 | 1,892 |
| Red River College | 620 | 686 | 1,306 |
| Liquor Control Commission | 349 | 332 | 681 |
| Assiniboine Community College | 137 | 201 | 338 |
| Addictions Foundation of Manitoba | 91 | 236 | 327 |
| University College of The North | 119 | 207 | 326 |
| The Legal Aid Services Society of Manitoba | 45 | 107 | 152 |
| Diagnostic Services of Manitoba | 12 | 97 | 109 |
| Manitoba Centennial Centre Corporation | 35 | 15 | 50 |
| Teachers' Retirement Allowances Fund Board | 9 | 23 | 32 |
| Communities Economic Development Fund | 10 | 5 | 15 |
| The Council on Post-Secondary Education | 5 | 7 | 12 |
| Manitoba Horse Racing Commission | 2 | 1 | 3 |
| Regional Health Authorities | | | |
| Winnipeg | 15 | 152 | 167 |
| Brandon | 30 | 117 | 147 |
| Central | 2 | 40 | 42 |
| Assiniboine | 2 | 31 | 33 |
| Interlake | 5 | 28 | 33 |
| Parkland | 7 | 24 | 31 |
| South Eastman | 3 | 19 | 22 |
| Nor-Man | 0 | 18 | 18 |
| North Eastman | 1 | 10 | 11 |
| Burntwood | 1 | 5 | 6 |
| **Total Non-Matching** | **13,689** | **13,144** | **26,833** |

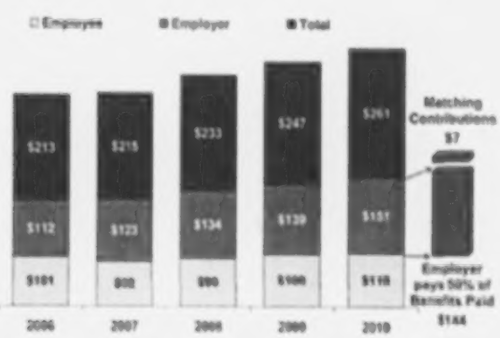
| Matching Employers | Males | Females | Total |
|---|---|---|---|
| Manitoba Lotteries Corporation | 761 | 757 | 1,518 |
| Manitoba Housing Authority | 264 | 174 | 438 |
| CUPE Support Workers | 47 | 183 | 230 |
| Manitoba Agricultural Services Corporation | 66 | 86 | 152 |
| Manitoba Crop Insurance Corporation | 111 | 15 | 126 |
| Child and Family All Nations Coordinated Network Inc. | 15 | 105 | 120 |
| Manitoba Government and General Employees Union | 33 | 48 | 81 |
| Manitoba Hydro Utilities Service | 63 | 15 | 78 |
| Gaming Control Commission | 28 | 26 | 54 |
| The Civil Service Superannuation Board | 29 | 24 | 53 |
| Manitoba Floodway Expansion Authority Inc. | 26 | 20 | 46 |
| Travel Manitoba | 12 | 29 | 41 |
| Food Development Centre | 13 | 25 | 38 |
| Dairy Farmers of Manitoba | 6 | 14 | 20 |
| Industrial Technology Centre | 13 | 6 | 19 |
| Hams Marketing Services Co-op Inc. | 9 | 7 | 16 |
| Manitoba Arts Council | 0 | 14 | 14 |
| Manitoba Film and Sound Recording Development Corporation | 5 | 5 | 10 |
| Manitoba Pork Council | 3 | 6 | 9 |
| Manitoba Chicken Producer Board | 1 | 4 | 5 |
| Crown Corporations Council | 1 | 3 | 4 |
| MFC Testing and Research Inc. | 1 | 3 | 4 |
| Sport Manitoba | 3 | 1 | 4 |
| Manitoba Cattle Enhancement Council | 0 | 3 | 3 |
| Manitoba Turkey Producers | 0 | 3 | 3 |
| Paletta & Company Hotels | 3 | 0 | 3 |
| Venture Manitoba Tours Ltd. | 3 | 0 | 3 |
| **Total Matching** | **1,516** | **1,576** | **3,092** |

| Other | Males | Females | Total |
|---|---|---|---|
| Deferred Pension Accounts | 1,184 | 1,463 | 2,647 |
| L.T.D. Recipients | 41 | 106 | 147 |
| Manitoba Reciprocal Agreements | 69 | 45 | 114 |
| **Total Other** | **1,294** | **1,614** | **2,908** |
| **Total (Non-Matching, Matching, Other)** | **16,499** | **16,334** | **32,833** |

## Employee Contributions/Employer Payments

- Employees contributed $109.9 million to the Fund compared to $107.6 million in 2009
- Employers paid $151.3 million to the Fund compared to $139.6 million in 2009
- 89.8% of your contributions fund basic pension and beneficiary benefits
- 10.2% of your contributions are allocated for cost-of-living benefits

### CONTRIBUTIONS AND PAYMENTS (MILLIONS)




**Fund Fact**

Total contributions and payments by employees and employers have increased 23% since 2006.

Employees and Employers share the cost of the plan. Each year employees contribute the following:

- 6% on earnings up to Canada Pension Plan maximum earnings ($47,200 in 2010)
- 7% on earnings in excess of that amount

Employer payments include:

- Approximately 50% of pensions paid and Commuted Value transfers for terminations, marriage separations, and deaths for non-matching employers
- Payments made by matching employers

## Cost-of-Living Allowance

- 10.2% of employee contributions and matching employer payments go to a separate account to fund cost-of-living increases (COLA)
- The account funds approximately half the COLA increase while employers pay their share
- Pensioners and beneficiaries receive an annual increase to a maximum of ⅔ of the increase in the Canadian Consumer Price Index (CPI)
- The COLA paid July 1, 2010 was 0.88%

### Cost-of-Living Account

The transfer of the indexing reserve of $145 million from the Basic plan to the COLA Program received legislative approval in 2009.

## Funding of Pension Benefits

The Fund's net assets available for benefits are primarily funded by:

- Investment income
- Employee contributions
- Employer payments

These assets are used to finance the payment of the Fund's portion of the basic pension, the indexing benefits, and the employers' share for several matching employers.

The majority of employers are non-matching and defer payment of their share of pension benefits until the benefit is paid.

The Fund consists of two separate accounts:

1. Basic Benefits Account

- Finances the Fund's share of the basic pension benefit calculated as at a specific date (i.e. retirement, termination or death)

2. Indexing Benefits Account

- Has been specifically established to finance the Fund's share of cost-of-living benefits paid to members
- 10.2% of employee contributions and matching employer payments are credited annually to this account

The cost-of-living benefit payments are limited to the extent that the Indexing Benefits Account is able to finance its share of each increase. Legislation limits the maximum annual cost-of-living adjustment to ⅔ of the increase in the CPI until the account can prefund anticipated adjustments for the next 20 years.

The net assets available to finance pension benefits, the obligations for pension benefits, and any surplus in the Basic Benefits Account and the funds available to finance future cost-of-living adjustments as at December 31, 2010 are summarized below.

| | Fund (*) | Non-Matching Employers (*) | Obligations Total (*) |
|---|---|---|---|
| **1. Net Assets Available (Net of Actuarial Reserves)** | | | |
| Basic Benefits Account | 3,318,760 | See Note Below | |
| Indexing Benefits Account | 224,770 | | |
| **Total** | **3,543,530** | | |
| **2. Actuarial Obligations for Pension Benefits** | | | |
| Basic Benefits Account (including future benefits) | 3,756,037 | 3,008,461 | 6,764,498 |
| Indexing Benefits Account | 178,825 | 172,577 | 351,402 |
| **Total** | **3,934,862** | **3,181,038** | **7,115,900** |
| **3. Actuarial Position/Funds Available** | | | |
| Basic Benefits Account | (437,277) | See Note Below | |
| Indexing Benefits Account (funds available to finance future adjustments) | 45,945 | | |
| **Surplus/(Deficit)** | **(391,332)** | | |

* $Thousands

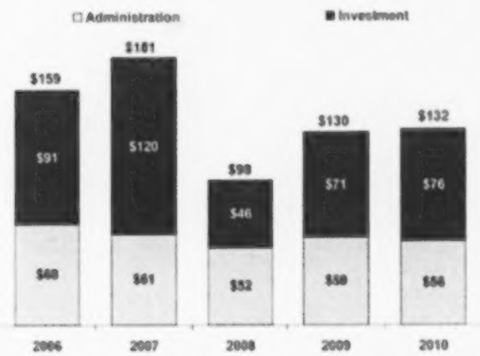
Refer to Notes 6 and 7 of the Audited Consolidated Financial Statements for additional information.

Note: The non-matching employer's portion of the pension liability is unfunded for most employers. Refer to Schedule 2 of the Audited Consolidated Financial Statements for additional information.

## Administration and Investment Cost

The Board's annual administration and investment cost per member continues to be one of the lowest in Canada for complex defined benefit plans. The total annual cost per member for 2010 was $132 consisting of $56 for administration and $76 for investment related expenses.

### ANNUAL COST PER MEMBER




**Fund Fact**
Administrative cost per member decreased in 2010.

## Governance

The Board and sub-committees regularly receive management certified compliance reports and informational material to assist with oversight requirements. In addition, the Board reviews and formally approves the minutes of all subcommittee meetings.

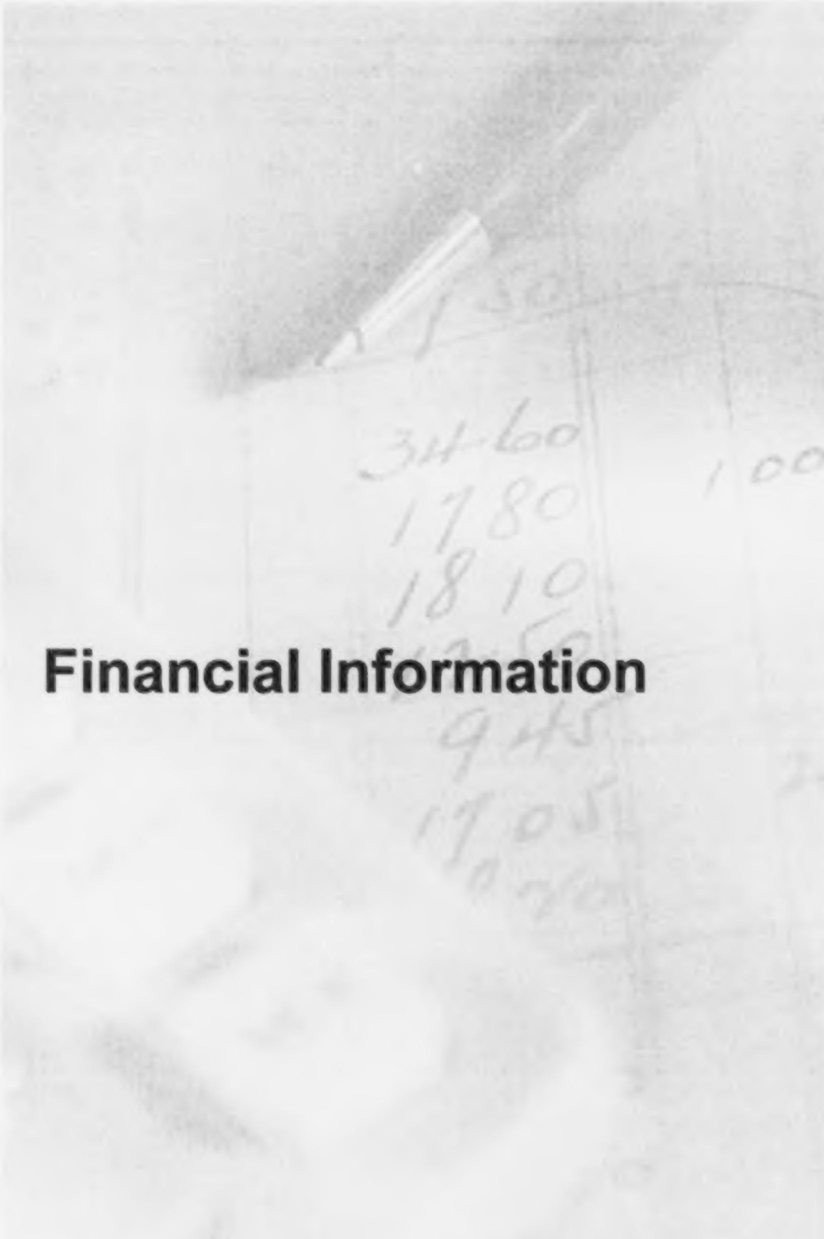
The Board is currently conducting a review of its governance processes. The results of the review will form the foundation of future Board policies and procedures.

## Five-Year Comparative Statistics

| | | 2006 (*) | 2007 (*) | 2008 (*) | 2009 (*) | 2010 (*) |
|---|---|---|---|---|---|---|
| **Investments** | Rate of Return | 12.85% | 3.91% | (17.04)% | 14.06% | **12.67%** |
| | Market Value | 3,836,359 | 3,973,775 | 3,302,963 | 4,001,189 | **4,915,555** |
| **Contributions and Payments** | Employee Contributions | 100,844 | 92,374 | 98,635 | 107,593 | **109,924** |
| | Employer Payments | 111,803 | 122,480 | 133,991 | 139,556 | **151,255** |
| | **Total** | **212,647** | **214,854** | **232,626** | **247,149** | **261,179** |
| **Payments from the Fund** | Pension Benefits Paid | 211,617 | 230,630 | 250,532 | 270,006 | **291,168** |
| | Refunds and Transfers | 25,490 | 29,692 | 33,367 | 24,238 | **27,517** |
| **Expenses** | Administrative, net before recoveries from non-matching employers | 2,980 | 2,737 | 2,452 | 2,858 | **2,787** |
| | Investment, net | 4,035 | 5,459 | 2,152 | 3,409 | **3,743** |

* $Thousands unless otherwise noted

| | | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|
| **Membership** | Non-Retired Members | 30,005 | 30,296 | 31,002 | 32,210 | **32,833** |
| | Pensioners and Other Recipients | 14,101 | 14,812 | 15,450 | 16,023 | **16,661** |
| | **Total Members** | **44,106** | **45,108** | **46,452** | **48,233** | **49,494** |
| | Refunded/ Transferred Members | 1,322 | 1,297 | 1,513 | 1,378 | **1,244** |
| | Retirements | 840 | 1,013 | 959 | 913 | **968** |



# Financial Information

## Management Report

The accompanying consolidated financial statements of The Civil Service Superannuation Fund are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles, as stated in the notes to the consolidated financial statements. Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and to safeguard the assets of the Fund. In management's opinion, the consolidated financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available up to April 28, 2011.

The firm of Ellement and Ellement has been appointed as consulting actuary for the Fund. The role of the actuary is to complete the triennial actuarial valuations of the Fund in accordance with actuarial practice and estimate the obligations for benefits for inclusion in the annual consolidated financial statements.

The Auditor General performs an independent audit of the consolidated financial statements in accordance with Canadian generally accepted auditing standards. The resulting opinion is set out in the Auditor's Report attached to the consolidated financial statements.

Ultimate responsibility for the consolidated financial statements rests with the members of the Board. The Board established a Finance and Audit Committee to meet with Board staff and representatives of the Auditor General. It is the responsibility of the Finance and Audit Committee to review the consolidated financial statements, ensure that each group has properly discharged its respective responsibilities and make a recommendation to the Board regarding approval of the consolidated financial statements. The auditors have full and unrestricted access to the Board and to the Finance and Audit Committee.

The Board has reviewed and approved these financial statements.

On behalf of Management,

| | |
|---|---|
| Bruce Schroeder<br>General Manager | Rick Wilson<br>Director, Finance |

# Report of the Office of the Auditor General on The Civil Service Superannuation Fund

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

## INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba and
To the Board of the Civil Service Superannuation Fund

We have audited the accompanying consolidated financial statements of the Civil Service Superannuation Fund, which comprise the consolidated statement of net assets available for benefits as at December 31, 2010 and the consolidated statement of changes in net assets available for benefits for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Consolidated Financial Statements**
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**
In our opinion, the consolidated financial statements present fairly, in all material respects, the net assets available for benefits of the Civil Service Superannuation Fund as at December 31,2010 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

April 28, 2011
Winnipeg, Manitoba

**Original document sign by:**
Carol Bellringer, FCA, MBA
Auditor General

## Exhibit A - The Civil Service Superannuation Fund

### Consolidated Statement of Net Assets Available for Benefits

**as at December 31, 2010**

| ($) Thousands | 2010 | 2009 |
|---|---|---|
| **Assets** | | |
| Investments, Schedule 1, Notes 3(b) and 5 | $4,915,555 | $4,001,189 |
| Investments held for the Province of Manitoba Trust Account 2, Note 14 | - | 89,211 |
| Equipment | 5 | 35 |
| Prepaid expenses | 205 | 206 |
| Debt due from the Province of Manitoba, Note 9 | 1,826 | 1,826 |
| Receivables | 2,937 | 2,338 |
| Accrued dividends and interest | 12,056 | 13,805 |
| **Total assets** | **4,932,584** | **4,108,610** |
| **Liabilities** | | |
| Accounts payable and accrued liabilities | 10,089 | 9,263 |
| The Province of Manitoba Unfunded Pension Liability Trust Account, Note 13 | 1,201,935 | 643,766 |
| The Province of Manitoba Unfunded Pension Liability Trust Account 2, Note 14 | - | 89,211 |
| Correctional Officers' Trust Account, Note 10 | 4,792 | 4,145 |
| Employer Trust Accounts, Note 11 | 59,356 | 52,057 |
| Money Purchase Accounts Plan, Note 12 | 20,631 | 19,477 |
| **Total liabilities** | **1,296,803** | **817,919** |
| **Net assets available for benefits, Exhibit B** | **$3,635,781** | **$3,290,691** |

Chairperson of the Board

Chairperson, Finance and Audit Committee

## Consolidated Statement of Changes in Net Assets Available for Benefits

**for the Year Ended December 31, 2010**

| ($) Thousands | 2010 Basic Benefits Account | 2010 Indexing Benefits Account | 2010 Total | 2009 Total (Restated) Note 19 |
|---|---|---|---|---|
| **Increase in assets** | | | | |
| Contributions, Schedule 2, Note 1(b) | | | | |
| Employees | $ 99,537 | $ 10,387 | $ 109,924 | $ 107,593 |
| Employers | 150,524 | 731 | 151,255 | 139,556 |
| Total contributions | 250,061 | 11,118 | 261,179 | 247,149 |
| Net investment income, Schedule 3 | 80,884 | 41,632 | 122,516 | 133,003 |
| Current period change in fair value of investments, Note 15 | 417,440 | - | 417,440 | 364,891 |
| Other | 79 | - | 79 | 79 |
| Total increase in assets | 748,464 | 52,750 | 801,214 | 745,122 |
| Decrease in assets | | | | |
| Pension benefits paid | 272,338 | 18,830 | 291,168 | 270,006 |
| Refunds and transfers | 27,517 | - | 27,517 | 24,238 |
| Administrative expenses, net, Note 16 | 1,540 | - | 1,540 | 1,563 |
| Transfer to employer trust accounts | 591 | - | 591 | 259 |
| Interest allocations to various trust accounts and Money Purchase Accounts Plan, Note 17 | 135,308 | - | 135,308 | 77,413 |
| Total decrease in assets | 437,294 | 18,830 | 456,124 | 373,479 |
| Increase in net assets | 311,170 | 33,920 | 345,090 | 371,643 |
| Net assets available for benefits at beginning of year | 2,948,141 | 342,550 | 3,290,691 | 2,919,048 |
| Increase in net assets | 311,170 | 33,920 | 345,090 | 371,643 |
| Net assets available for benefits at end of year, Exhibit A | $3,259,311 | $376,470 | $3,635,781 | $3,290,691 |

## 1. Description of Plan

The following description of the Civil Service Superannuation Plan (the "Plan") is a summary only. For more complete information reference should be made to the Civil Service Superannuation Act (the "Act").

**(a) General**

The Civil Service Superannuation Board (the "Board") and the Civil Service Superannuation Fund (the "Fund") were established under the Act in May 1939. The Board is responsible for administering the Act. The Act defines the basis of funding and the operation of the Plan as a defined benefit plan, which provides pension benefits to employees of the Government of the Province of Manitoba and its agencies participating in the Plan.

**(b) Funding**

The Act requires that employees contribute 6% of pensionable earnings up to the Canada Pension Plan (CPP) maximum pensionable earnings and 7% of pensionable earnings above that maximum each year. In accordance with the Act, 89.8% of the employee contributions are allocated to the Basic Benefits Account and 10.2% are allocated to the Indexing Benefits Account. The matching employer contribution rate is at 5.1% on pensionable earnings up to the CPP maximum pensionable earnings and 7% of pensionable earnings above that maximum each year.

Under provisions of the Act non-matching employers defer contributing their share of employee pension benefits until they are billed for 50% of the benefit payments processed. However, non-matching employers are not billed for the cost of the pension formula improvement implemented in 2000. Matching employers similarly do not contribute toward the 2000 pension formula improvement.

The Fund's net assets available for benefits are primarily comprised of contributions from employees and matching employers together with investment income. These assets are intended to finance the Fund's portion of the Plan's actuarially determined obligation for pension benefits accruing to employees for service to the date of these financial statements. The non-matching employers' portion of the obligation for pension benefits as shown in Note 6 is unfunded.

One-half of the cost-of-living benefit payments are charged to the Indexing Benefits Account. All other benefit payments are charged against the Basic Benefits Account. The recovery of the non-matching employers' share is credited to the Basic Benefits Account.

The cost-of-living benefit payments are limited to the extent that the amount in the separate Indexing Benefits Account is actuarially able to finance one-half of that payment. Legislation limits the maximum annual adjustment to two-thirds of the increase in Consumer Price Index (Canada) until the Indexing Benefits Account can pre fund anticipated adjustments for the next twenty years.

**(c) Pension Calculation**

The lifetime pension calculation equals:

(i) 2% of a member's best five-year average pensionable earnings multiplied by pensionable service.

(ii) minus .4% of the average CPP maximum pensionable earnings for the same period multiplied by pensionable service since January 1, 1966.

The lifetime pension is subject to an overall maximum of 70% of the average earnings described in (i) above. Some pensions for members retiring prior to age 60 are subject to an early retirement reduction.

**(d) Excess Contributions**

On termination, retirement or death, if a member's contributions plus interest (less 10.2% allocated to the Indexing Benefits Account) exceed 50% of the commuted value of the pension for service after December 31, 1984, the excess contributions are payable to the member or the member's estate.

**(e) Retirement**

A member may be eligible to retire as early as age 55.
All members must commence pension benefits no later than the last day of the calendar year in which the member attains 71 years of age.
Eligible members of the Province of Manitoba's Corrections Component may retire as early as age 50.

**(f) Disability Pensions**

A member with ten or more years of qualifying service is eligible to apply for a disability pension.

**(g) Survivor's Benefits**

A survivor's benefit is payable to a spouse or the estate of a member who dies.

**(h) Death Refunds**

A death refund is payable to the estate of a pensioner or survivor where such pensions have not been paid to the full extent of the individual's contributions plus interest. In a similar manner, a death refund is payable to the estate of a member where no survivor's pension is paid.

**(i) Withdrawal Refunds**

Upon application and subject to lock-in provisions, withdrawal refunds are payable when a member ceases to be employed by a participating employer. Members may choose to leave their contributions in the Plan as a vested member.

**(j) Income Taxes**

The Plan is a Registered Pension Trust as defined in the Income Tax Act and is not subject to income taxes.

**(k) Money Purchase Accounts Plan**
The Board administers and maintains a separate Money Purchase Accounts Plan on a trust basis as provided for in the Act.

## 2. Future Changes in Accounting Policy and Disclosure

**New Pension Plan Accounting Standards**

The Accounting Standards Board (AcSB) has approved new pension plan accounting standards effective for fiscal years beginning on or after January 1, 2011. Upon the adoption of International Financial Reporting Standards (IFRS) by publicly accountable enterprise, pension plans would continue to prepare their financial statements in accordance with Canadian pension plan accounting standards. Accordingly, the CICA approved *Section 4600 - Pension Plans* as Part IV of the CICA Accounting Handbook. The AcSB developed *Section 4600* based on the existing *Section 4100 - Pension Plans.*

In accordance with the new standards, the consolidated statement of net assets available for benefits is to be replaced by a consolidated statement of financial position which includes pension obligations together with net assets available for benefits and the resulting surplus or deficit. The standards include references to other Parts of the CICA Accounting Handbook for issues not directly addressed in *Section 4600*, such as:

- All investment assets and investment liabilities shall be measured at fair value. In determining fair value, reference should be made to *IAS 39 – Financial Instruments: Recognition and Measurement* in Part I of the Handbook.
- Within its investment portfolio, a pension plan should refer to *IFRS 7 – Financial Instruments: Disclosures* in Part I of the Handbook for those investments that are financial instruments. For all other investments, a description of how fair values have been determined should also be disclosed.

The comparative figures will be restated in accordance with the new accounting standards.

## 3. Significant Accounting Policies

The significant accounting policies are summarized below:

**(a) Basis of Presentation**
The consolidated financial statements are prepared on a going-concern basis as a separate financial reporting entity, in accordance with Canadian generally accepted accounting principles. They are prepared to assist participants and others in reviewing the financial activities for the fiscal year.

**(b) Investments**
Investments are recorded at fair value on a trade date basis. Fair values of investments are determined as follows:

**Fixed Income**

(i) Short-term investments are valued at cost, which approximates market value and short term equivalents are valued at market by independent sources.

(ii) Bonds and debentures are valued at market by independent sources.

(iii) National Housing Act (Canada) and other mortgages are valued based upon the present value of future discounted cash flows. Pooled mortgage funds are valued at market by the external manager.

**Equity**

(i) Publicly traded securities are valued at year end market prices as listed on the appropriate stock exchange.

(ii) Real estate investments are valued at the most recent appraisals or external manager's valuations of the underlying properties.

(iii) Petroleum and natural gas shares are valued based upon the discounted present value of proven petroleum and natural gas reserve information provided by external managers or are reflected at cost until such information is made available.

(iv) Venture capital investments are based on values established by the external managers or at cost where no valuation has been prepared.

(v) Real estate shares include the value of 16 real estate subsidiaries that have not been accounted for on a consolidated basis, but whose value ($212,189) is included in the Consolidated Summary of Investments, Schedule 1.

**(c) Use of Estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets during the year. Actual results could differ from those estimates.

**(d) Foreign Currency Translation**

The fair value of investments denominated in foreign currencies is translated into Canadian dollars at the exchange rate in effect at year-end and the resulting change is included in the current period change in fair value of investments. Revenue and expense transactions are translated at the exchange rates prevailing on the dates of the transactions and are included in investment income at the translated amounts.

**(e) Equipment**

Computer equipment costing less than $15 and all furniture purchases are charged to operations in the year of acquisition. Mid-range computer equipment cost is amortized over 5 years and microcomputer equipment cost is amortized over 3 years.

**f) Capital Disclosures**

In the context of the Fund, capital is defined as the net assets available for pension benefits. Externally-imposed capital requirements relate to the administration of the Fund in accordance with the terms of the Fund, The Pension Benefits Act of the Province of Manitoba and the provisions of the Income Tax Act (Canada). The Fund has developed appropriate risk management strategies, as described in Note 4, to preserve the net assets available for pension benefits. The Fund has complied with externally-imposed capital requirements during the year.

## 4. Risk Management

Fair values of investments are exposed to interest rate risk, credit risk, currency risk, market risk and liquidity risk.

**(a) Interest Rate Risk**

Interest rate risk refers to the impact of interest rate changes on the Fund's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Fund's assets and liabilities. The value of the Fund's assets is affected by short term changes in nominal interest rates and equity markets.

Pension liabilities are exposed to the long term expectation of rate of return on investments as well as expectations of inflation and salary escalation. The Fund's primary exposure is to a decline in the long term real rate of return which may result in higher contribution rates required to meet its obligations.

The Fund's exposure to interest rate risk is concentrated in its investments in the bond pooled funds and government and corporate short term investments. To properly manage the Fund's interest rate risk, appropriate guidelines on the weighting and duration for bonds and other fixed income investments are set and monitored by the Fund's Investment Committee.

The Fund has invested approximately 26% (2009 – 35%) of its assets in fixed income securities as at December 31, 2010, which generated a rate of return of +10.13% (2009 - 8.81%). The returns on fixed income securities are particularly sensitive to changes in nominal interest rates. As at December 31, 2010, if prevailing interest rates were raised or lowered by 100 basis points, with all other factors held constant, fixed income investments would likely have decreased or increased respectively by approximately $95,576 (2009 - $98,220). The Fund's interest rate sensitivity was determined based on portfolio weighted duration.

**(b) Credit Risk**

Credit risk is the risk of loss from the failure of a counter party to discharge its contractual obligations. At December 31, 2010, the Fund's maximum credit risk exposure relates to bonds and debentures, cash and short term investments and mortgages totalling $1,254,083 (2009 - $1,385,300), receivables of $2,937 (2009 - $2,338) and accrued interest of $8,279 (2009 - $9,856) totalling $1,265,299 (2009 - $1,397,494). The Fund's Investment Committee limits credit risk by concentrating on high quality securities and adhering to a Statement of Investment Policies and Procedures. The Policy establishes investment ownership limits and acceptable credit ratings. In the case of bonds and debentures, 10% can be rated BBB+ or lower, with some temporary latitude in the event of the down rating of a security.

All transactions in listed securities are settled upon delivery using approved investment managers. The risk of default is considered minimal, as delivery of securities sold is only made once the investment manager has received payment. Payment is made on a purchase once the securities have been received by the investment manager. The trade will fail if either party fails to meet its obligation.

The breakdown of the Fund's bond portfolio by credit rating from various rating agencies is presented below:

| Credit Rating | 2010 Fair Value | | 2009 Fair Value | |
|---|---|---|---|---|
| AAA | $ 326,337 | 31.0% | $ 580,010 | 47.9% |
| AA | 177,304 | 16.9 | 227,361 | 18.8 |
| A | 368,490 | 35.0 | 324,291 | 26.8 |
| BBB+ | 43,026 | 4.1 | 13,364 | 1.1 |
| BBB and lower | 136,885 | 13.0 | 65,764 | 5.4 |
| | 1,052,042 | 100.0% | 1,210,790 | 100.0% |
| Cash and short-term | 94,553 | | 32,048 | |
| Total pooled bond fund | $1,146,595 | | $1,242,838 | |

Credit risk associated with contributions receivable is minimized due to their nature. Contributions are collected from participating members through the payroll process. No provision for doubtful contributions receivable has been recorded in either 2010 or 2009.

**(c) Currency Risk**

Currency risk relates to the possibility that foreign currency-denominated investments will change in value due to future fluctuations in foreign exchange rates. The Fund does, from time to time, hedge some of this exposure. As at December 31, 2010 external fund managers had entered into forward foreign exchange contracts valued at $3,984 (2009 - $2,326) that resulted in unrealized losses on these foreign exchange contracts totalling $105 (2009 - $200 gain).

The Fund's exposure in cash and investments to foreign currencies in Canadian dollars is shown below:

| As at December 31, 2010 | Actual Currency Exposure | Percentage |
|---|---|---|
| Canadian | $2,992,243 | 60.9% |
| U.S. dollar | 1,164,533 | 23.7 |
| Japanese yen | 148,765 | 3.0 |
| Hong Kong dollar | 104,585 | 2.1 |
| Euro | 70,783 | 1.4 |
| Australian dollar | 67,120 | 1.4 |
| Pound sterling | 66,921 | 1.4 |
| South Korean won | 54,980 | 1.1 |
| Taiwan new dollar | 44,057 | 0.9 |
| Other currencies | 201,568 | 4.1 |
| Total investments | $4,915,555 | 100.0% |

A 10 percent increase or decrease in exchange rates, with all other variables held constant, would result in a change in unrealized gains (losses) of $192,331.

**(d) Market Risk**

Market risk is the risk that the value of an investment will fluctuate as a result of a change in market conditions, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market. The Fund's investments in equities are sensitive to market fluctuations. To assist in mitigating the impact of market risk, the Board has established appropriate guidelines on asset diversification to address specific security, geographic, sector and investment manager risks which they monitor on a regular basis. A decline of 10 percent in equity values, with all other variables held constant, will impact the Fund's equity investments by an approximate loss of $366,147.

**(e) Liquidity Risk**

Liquidity risk is the possibility that investments of the Fund cannot be readily converted into cash when required. The Fund may be subject to liquidity constraints because of insufficient volume in the markets for the securities of the Fund or other securities may be subject to legal or contractual restrictions on their resale. Liquidity risk is managed by investing the majority of the Fund's assets in investments that are traded in an active public market and can be readily disposed. Although market events could lead to some investments becoming illiquid, the diversity of the Fund's portfolio and current contribution levels should ensure that liquidity is available for benefit payments.

The term to maturity and related market values of fixed income investments are as follows:

| Term to Maturity | 2010 | 2009 |
|---|---|---|
| Less than one year | $ 153,980 | $ 134,335 |
| One to five years | 260,615 | 389,443 |
| Over five years | 839,488 | 861,522 |
| **Total fixed income investments** | **$1,254,083** | **$1,385,300** |

**(f) Fair Value**

The fair value of the financial assets and liabilities of the Fund approximates their carrying value due to their short term nature, with the exception of investments which are stated at market value (see Schedule 1).

The following is a summary of the inputs used as of December 31, 2010 and 2009 in valuing the Fund's investments carried at fair values:

| | Level 1 Quoted Prices in Active Markets | Level 2 Significant Other Observable Inputs | Level 3 Significant Unobservable Inputs | Total 2010 |
|---|---|---|---|---|
| Assets | | | | |
| Cash equivalents - short term | $ - | $ 316,736 | $ - | $ 316,736 |
| Fixed Income | | | | |
| Pooled bond fund | - | 1,052,042 | - | 1,052,042 |
| Mortgages | - | 29,642 | - | 29,642 |
| | - | 1,081,684 | - | 1,081,684 |
| Pooled equity funds | 2,927,708 | 4 | - | 2,927,712 |
| Real Estate | | | | |
| Participating bonds | - | - | 83,818 | 83,818 |
| Shares | - | - | 257,445 | 257,445 |
| | - | - | 341,263 | 341,263 |
| Petroleum and natural gas | - | - | 197,023 | 197,023 |
| Venture capital | - | - | 23,724 | 23,724 |
| Total assets | 2,927,708 | 1,398,424 | 562,010 | 4,888,142 |
| Cash | 27,413 | - | - | 27,413 |
| Total investments, Schedule 1 | $2,955,121 | $1,398,424 | $562,010 | $4,915,555 |

| | Level 1 Quoted Prices in Active Markets | Level 2 Significant Other Observable Inputs | Level 3 Significant Unobservable Inputs | Total 2009 |
|---|---|---|---|---|
| Assets | | | | |
| Cash equivalents - short term | $ - | $ 202,816 | $ - | **$ 202,816** |
| Fixed Income | | | | |
| Pooled bond fund | - | 1,210,791 | - | **1,210,791** |
| Mortgages | - | 31,741 | - | **31,741** |
| | - | 1,242,532 | - | **1,242,532** |
| Pooled equity funds | 2,048,578 | - | - | **2,048,578** |
| Real Estate | | | | |
| Participating bonds | - | - | 82,152 | **82,152** |
| Shares | - | - | 274,745 | **274,745** |
| | - | - | 356,897 | **356,897** |
| Petroleum and natural gas | - | - | 131,432 | **131,432** |
| Venture capital | - | - | 25,850 | **25,850** |
| Total assets | 2,048,578 | 1,445,348 | 514,179 | **4,008,105** |
| Cash | (6,916) | - | - | **(6,916)** |
| Total investments, Schedule 1 | $2,041,662 | $1,445,348 | $514,179 | **$4,001,189** |

At December 31, 2010, no equity investments and no bonds were transferred from Level 1 to Level 2. All securities in Level 1 can be traded in an active market.

During the year ended December 31, 2010, the reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

| | Real Estate | Petroleum & Natural Gas | Venture Capital | Total |
|---|---|---|---|---|
| Beginning balance | $ 356,897 | $ 131,432 | $ 25,850 | $ 514,179 |
| Purchases | 3,309 | 46,255 | 945 | 50,509 |
| Sales | (24,517) | - | - | (24,517) |
| Realized (gains)/losses | (8,783) | - | - | (8,783) |
| Return of capital | (3,922) | (8,838) | (1,375) | (14,135) |
| Change in unrealized appreciation/(depreciation) | 18,279 | 28,174 | (1,696) | 44,757 |
| Ending balance | $ 341,263 | $ 197,023 | $ 23,724 | $ 562,010 |

Section 3.29 of the Manitoba Pension Benefits Act Regulation requires disclosure of each investment asset that has a fair value greater than one percent of the fair value of the investment assets of the fund. As at December 31, 2010, the Fund held the following investments that met this classification:

| | |
|---|---|
| Canada Government bonds 3.5%, maturing June 1, 2013 | $ 84,355 |
| Canada Government bonds 5.0%, maturing June 1, 2037 | $ 77,577 |
| Superman Resources Inc. – unitized shares | $ 197,023 |

**(g) Securities Lending**

The Fund has entered into a securities lending program through the lending agent, State Street Trust Company Canada. Under the program, the Fund will lend various securities in its possession to borrowers approved by the lending agent. The loans can be secured by either securities or cash collateral. The Fund has risks under this program including borrower default and reinvestment risk.

## 5. Investment in Petroleum and Natural Gas

**(a) Investment in Petroleum and Natural Gas**

The fair value of the Fund's investment in petroleum and natural gas, through its 74.42% (2009 - 74.42%) share in its subsidiary Superman Resources Inc., as at December 31, is as follows:

| | 2010 | 2009 |
|---|---|---|
| **Assets** | | |
| Cash | $ 4,590 | $ 4,790 |
| Accounts receivable | 5,675 | 4,241 |
| Investment - Wembley Resources Ltd. | 1,017 | 923 |
| Deposit for future acquisition | 3,163 | - |
| Property and equipment | 128,362 | 93,255 |
| | 142,807 | 103,209 |
| **Liabilities** | | |
| Accounts payable and accrued liabilities | 6,964 | 3,317 |
| Asset retirement obligation | 12,135 | 10,535 |
| | 19,099 | 13,852 |
| Net investment in petroleum and natural gas - cost | 123,708 | 89,357 |
| Market value adjustment | 73,315 | 42,075 |
| Net investment in petroleum and natural gas - fair value, Schedule 1 | $197,023 | $131,432 |

**(b) Petroleum and Natural Gas Income**

The Fund's petroleum and natural gas income and retained earnings for the year ended December 31, is as follows:

| | 2010 | 2009 |
|---|---|---|
| **Revenue** | | |
| Oil and gas sales | $ 25,309 | $ 23,924 |
| Less: Royalties net of Alberta Royalty Tax Credits | 3,852 | 2,773 |
| | 21,457 | 21,151 |
| Interest and other income | 48 | 42 |
| Equity in earnings of Wembley Resources Ltd. | 94 | 228 |
| | **21,599** | **21,421** |
| **Expenses** | | |
| Depreciation and depletion | 11,995 | 13,518 |
| Production | 9,424 | 8,123 |
| Asset administration | 2,268 | 2,339 |
| (Recovery)/Provision for bad debts | (6) | (144) |
| Accretion | 700 | 584 |
| General and administrative | 210 | 167 |
| Legal and audit | 74 | 45 |
| | **24,665** | **24,632** |
| Net loss | **(3,066)** | **(3,211)** |
| Deficit, beginning of year | (12,682) | (6,494) |
| Dividends - petroleum and natural gas, Schedule 3 | - | (2,977) |
| **Deficit, end of year** | **$ (15,748)** | **$ (12,682)** |

## 6. Obligations for Pension Benefits

**(a) Obligation for pension benefits**

(i) Basic Benefits Account

In accordance with the Act, an Actuarial Valuation Report is required every three years. The stated purpose of the actuarial valuation is to:

- determine the financial position of the Fund as at the valuation date,
- determine the adequacy of the contributions being received in relation to the portion of the benefits financed by the Fund, and
- provide recommendations as to the future course of action based on the financial position revealed.

A biennial Actuarial Valuation Report on the Fund was completed as at December 31, 2009 by Ellement and Ellement, consulting actuaries.

The actuarial present value of the accrued basic pension benefit obligations, based on service to date, was estimated by the actuary as at December 31, 2010. The principal components of the changes in actuarial present value during the year were calculated and are as follows:

| | Basic Benefits Account | | | |
|---|---|---|---|---|
| | **Fund 2010** | **Non-Matching Employers 2010** | **Total 2010** | **Total 2009** |
| Actuarial present value of accrued basic pension benefit obligations based on service to date, beginning of year | $3,206,514 | $2,560,072 | **$5,766,586** | **$5,394,996** |
| Experience loss/(gain) | 242,064 | 216,007 | **458,071** | **-** |
| Benefits accrued | 132,452 | 106,623 | **239,075** | **214,843** |
| Benefits paid | (149,922) | (135,366) | **(285,288)** | **(261,611)** |
| Interest on accrued benefits | 206,391 | 165,702 | **372,093** | **349,154** |
| Change in actuarial reserves | 47,672 | 38,376 | **86,048** | **69,204** |
| **Actuarial present value of accrued basic pension benefit obligations based on service to date, end of year** | **$3,685,171** | **$2,951,414** | **$6,636,585** | **$5,766,586** |

The non-matching employers' portion of the accrued basic pension benefit obligation is unfunded. These non-matching employers defer contributing their share of employee pension benefits until they are billed for approximately 50% of the benefit payments processed. Non-matching employers are not billed for the cost of the pension formula improvement that was effective from September 1, 2000.

The Actuarial Valuation Report as at December 31, 2009 and the estimate at December 31, 2010 were based on the same set of assumptions. These assumptions were chosen for each of the factors that will affect the Fund financially in future years. Each assumption is based on relevant past experience studied over long periods of time to produce more reliable information. In accordance with the methodology set out in latest actuarial valuation, the actuary has phased in some additional reserves during the estimate period to provide for possible adverse deviations not explicitly identified in the Valuation.

Significant long-term actuarial assumptions used in the December 31, 2009 financial statement estimates and in the determination of the December 31, 2010 present value of the accrued basic pension benefit obligations were:

| Annual rate of return | 2010 | 2009 |
|---|---|---|
| (i) inflation component | 2.00% | 2.50% |
| (ii) real rate of return | 4.00% | 4.00% |
| | 6.00% | 6.50% |

| Annual salary escalation rates | | |
|---|---|---|
| (i) general increases | | |
| a) inflation component | 2.00% | 2.50% |
| b) productivity component | 0.75% | 0.75% |
| | 2.75% | 3.25% |

(ii) service, merit and promotional increases *
* the rates used vary by age groupings from a high of 3.0% to a low of 0%

(ii) Indexing Benefits Account
The most recent annual Actuarial Valuation Report on the Indexing Benefits Account was prepared by Ellement and Ellement, consulting actuaries, as at December 31, 2009. The actuarial present value of the accrued indexing pension benefit obligations was estimated by the actuary as at December 31, 2010 and is as outlined below. The actuarial assumptions used are the same assumptions used for the Basic Benefits Account, except the annual rate of return is 5.50%.

Indexing Benefits Account

| | **Fund 2010** | **Non-Matching Employers 2010** | **Total 2010** | Total 2009 |
|---|---|---|---|---|
| Actuarial present value of accrued indexing pension benefit obligations, beginning of year | $153,523 | $148,680 | **$302,203** | $285,245 |
| Experience loss/(gain) | 12,091 | 11,770 | **23,861** | - |
| Cost-of-living accrual effective July 1 | 16,949 | 13,644 | **30,593** | 22,145 |
| Benefits paid | (18,830) | (15,158) | **(33,988)** | (32,892) |
| Interest on accrued benefits | 9,523 | 9,158 | **18,681** | 17,457 |
| Change in actuarial reserves | 5,569 | 4,483 | **10,052** | 10,248 |
| **Actuarial present value of accrued indexing pension benefit obligations, end of year** | **$178,825** | **$172,577** | **$351,402** | $302,203 |

**(b) Fund's Asset Valuation**

The actuary adjusts net assets available for benefits to smooth investment gains (losses) over five years and to recognize amounts reserved for future indexing benefits.

The actuarial asset values used in the estimate of the Fund's pension obligations were:

| | Basic Benefits 2010 | Indexing Benefits 2010 | Total 2010 | Total 2009 |
|---|---|---|---|---|
| Net assets available for benefits, Exhibit B | $3,259,311 | $376,470 | **$3,635,781** | $3,290,691 |
| Amount reserved for future indexing benefits | - | (142,009) | **(142,009)** | (133,595) |
| Adjustment for the actuarial value of assets | 59,449 | (9,691) | **49,758** | 307,284 |
| **Actuarial value of net assets available for benefits** | **$3,318,760** | **$224,770** | **$3,543,530** | **$3,464,380** |

In accordance with Board Policy, a portion of the reserve is made available (or released) each year for the provision of indexing benefits for that year. At December 31, 2010, $142,009 has been reserved for the provision of indexing benefits in future years and is not available to pay indexing benefits for the current year.

## 7. Additional Actuarial Information

**(a) Total Actuarial Pension Liabilities For The Basic Benefits Account**

The actuary determines the actuarial liability for net future service as a component in the actuarial valuation completed for funding purposes. The total actuarial Basic Benefit pension liabilities at December 31, 2010 have been estimated based on service to date and net future service as follows:

| | Fund 2010 | Non-Matching Employers 2010 | Total 2010 | Total 2009 |
|---|---|---|---|---|
| Service to date, Note 6 | $3,685,171 | $2,951,414 | **$6,636,585** | $5,766,586 |
| Net future service | 70,866 | 57,047 | **127,913** | 117,698 |
| **Total actuarial pension liabilities** | **$3,756,037** | **$3,008,461** | **$6,764,498** | **$5,884,284** |

**(b) Basic Benefits Actuarial Position (Fund Only)**

The Fund had an estimated going concern actuarial deficit of $437,277 as at December 31, 2010 (2009 – $28,696 deficit) in the Basic Benefits Account, after including (i) pension benefit obligations for service to date and for future service actuarial liabilities; and (ii) consistent with past years, an adjustment for the actuarial value of assets. In the absence of the adjustment for the actuarial value of assets, the Fund had an estimated going concern actuarial deficit of $496,726 as at December 31, 2010 (2009 - $323,510 deficit) in the Basic Benefits Account, after including pension benefits obligations for service to date and for future service actuarial liabilities.

**(c) Indexing Benefits Actuarial Surplus (Fund Only)**

The funds available to finance future cost-of-living increases in the Indexing Benefits Account were estimated to be a surplus of $45,945 as at December 31, 2010 (2009 - $67,902 surplus), after including, consistent with past years, an adjustment for the actuarial value of assets. In the absence of the adjustment for the actuarial value of assets, the funds available to finance future cost-of-living increases in the Indexing Benefits Account were estimated to be a surplus of $55,636 as at December 31, 2010 (2009 - $55,432 surplus).

## 8. Employer Assets Provided for Pension Obligations

Readers should refer to the latest audited employer financial statements, including the financial statements of the Government of the Province of Manitoba and its participating agencies, to determine how employers fund their pension obligations.

## 9. Debt due from the Province of Manitoba

Under Section 24(1) of the Act, the Province of Manitoba assumed an accrued liability of $1,826 for its employees and pensioners as at May 1, 1939. The Province of Manitoba pays semi-annual interest at 4% per annum on this amount.

## 10. Correctional Officers' Trust Account

Effective November 19, 1996, employees who are members of the Province of Manitoba's Corrections Component are required to contribute an additional 1% of pensionable earnings. These additional contributions are credited to this trust account and are intended to fund the additional pension benefits for eligible employees who may retire as early as age 50 with no reduction for early retirement providing the total of age and qualifying service equals 75 or greater. A continuity schedule of this trust account is as follows:

| | 2010 | 2009 |
|---|---|---|
| Contributions received | $ 899 | $ 844 |
| Interest earned/(charged) | 541 | 512 |
| Pension and refund payments made | (793) | (679) |
| Change during the year | 647 | 677 |
| Balance, beginning of year | 4,145 | 3,468 |
| Balance, end of year | $4,792 | $4,145 |

## 11. Employer Trust Accounts

The Fund is responsible for providing enhanced benefits enacted in the 1992 legislation agreed to by the Employee Liaison Committee and the Employer Pension Advisory Committee. These benefits are 100% financed from the Fund's net assets available for benefits. To facilitate this funding, trust accounts were established for non-matching employers participating in the Fund for their share of the actuarial valuation of these future benefit enhancements. Specific contributions from eligible employees are being transferred to the applicable trust account. A continuity schedule of this trust account is as follows:

| | 2010 | 2009 |
|---|---|---|
| Contributions received | $ 613 | $ 283 |
| Interest earned/(charged) | 6,757 | 6,571 |
| Billing credits made to employers | (71) | (71) |
| Change during the year | 7,299 | 6,783 |
| Balance, beginning of year | 52,057 | 45,274 |
| Balance, end of year | $59,356 | $52,057 |

## 12. Money Purchase Accounts Plan

Effective January 2, 1985 a separate Money Purchase Accounts Plan was established to enhance the portability of pensions. Contributors include employees, recipients of superannuation allowances, annuities or pensions payable under the Act, or persons on whose behalf the Board is required or requested to transfer moneys to this Plan. Refunds are made upon written request by the contributor. Administrative costs are recovered by the Board. A continuity schedule of this liability account is as follows:

| | 2010 | 2009 |
|---|---|---|
| Contributions received | $ 1,282 | $ 2,493 |
| Interest earned | 2,004 | 2,068 |
| Refunds and administration fees paid | (1,562) | (865) |
| Annuities made | (570) | (587) |
| Change during the year | 1,154 | 3,109 |
| Balance, beginning of year | 19,477 | 16,368 |
| Balance, end of year | $20,631 | $19,477 |

## 13. The Province of Manitoba Unfunded Pension Liability Trust Account

The Province has established a fund for the purpose of accumulating funds for the eventual retirement of the Province's unfunded pension obligation.

Under the terms of a March 6, 2001 agreement between the Province and the Board, the Province established a fund with the Board and the Province is making the required payments to this fund. As well, the Province is making payments to this fund that are related to the Special Operating Agencies unfunded pension liabilities. Payments received by the Board from the Province are held by the Board in trust for and on behalf of the Province and are invested by the Board on behalf of the Province. The payments received are not assets of the Plan and accordingly, they are accounted for by the Fund in the Unfunded Pension Liability Trust Account. This trust account earns investment income at a rate of return equal to the rate of return earned by the Fund. The Board receives an investment management fee for its services. The payments made by the Province to the Board do not reduce the accrued pension benefit obligations of the Fund.

The Trust Agreement was amended effective December 31, 2008, to make the trust irrevocable. Accordingly, the assets in the Trust Account can not be used for any purposes other than to fund the payment of pension benefits for which the Province is responsible and to pay the costs and expenses that are directly attributable to the administration of the Trust Account.

In October 2007, The Financial Administration Act was amended to allow for withdrawals from the fund to pay, or fund the payment of, pension benefits for which the Province is responsible.

A continuity schedule of this trust account is as follows:

| | 2010 | 2009 |
|---|---|---|
| Contributions received | $ 530,772 | $334,796 |
| Interest earned/(charged) | 126,006 | 67,899 |
| Pension and refund payments made | (97,054) | (90,530) |
| Investment management fees charged | (1,555) | (764) |
| Change during the year | 558,169 | 311,401 |
| Balance, beginning of year | 643,766 | 332,365 |
| Balance, end of year | $1,201,935 | $643,766 |

## 14. The Province of Manitoba Unfunded Pension Liability Trust Account 2

Under the terms of a March 30, 2009 agreement between the Province and the Board, the Province established another irrevocable fund with the Board that specified the allowable investment asset categories in a separate fund that is not co-mingled. Payments received by the Board from the Province are held by the Board in trust for and on behalf of the Province and are invested by the Board on behalf of the Province. The payments received are not assets of the Plan and accordingly, they are accounted for by the Fund in the Unfunded Pension Liability Trust Account 2. This trust account earns investment income at a rate of return equal to the rate of return earned by these assets. The Board receives an investment management fee for its services. The payments made by the Province to the Board do not reduce the accrued pension benefit obligations of the Fund. A continuity schedule of this trust account is as follows:

| | 2010 | 2009 |
|---|---|---|
| Contributions received | $ - | $178,905 |
| Interest earned | 28 | 363 |
| Transfers made to the Province of Manitoba Unfunded Pension Liability Trust Account | (89,234) | (90,000) |
| Direct expenses made | (3) | (19) |
| Investment management fees charged | (2) | (38) |
| Change during the year | (89,211) | 89,211 |
| Balance, beginning of year | 89,211 | - |
| Balance, end of year | $ - | $ 89,211 |

The assets held for this trust account is as follows:

| | 2010 | 2009 |
|---|---|---|
| Cash and Short term Investments | | |
| Government | $ - | $ 54,977 |
| Banking corporations | - | 34,181 |
| Cash | - | 35 |
| Total investments held | - | 89,193 |
| Accrued interest income | - | 18 |
| Total assets | $ - | $ 89,211 |

## 15. Current Period Change in Fair Value of Investments

| | 2010 | 2009 |
|---|---|---|
| Net realized gain/(loss) on the sale of investments | $ 112,990 | $ (92,690) |
| Net unrealized market gain | 304,450 | 457,581 |
| | $ 417,440 | $ 364,891 |

## 16. Administrative Expenses

| | 2010 | 2009 |
|---|---|---|
| Salaries and fringe benefits | $ 3,129 | $ 3,253 |
| Professional fees | 248 | 197 |
| Office and administration | 950 | 1,034 |
| **Gross administrative expenses** | 4,327 | 4,484 |
| Less: Recoveries | | |
| From other administered funds - regular administration | (1,534) | (1,570) |
| From other administered fund - special administration | (6) | (56) |
| From non-matching employers | (1,247) | (1,295) |
| **Administrative expenses, net** | $ 1,540 | $ 1,563 |

## 17. Allocations to the Various Trust Accounts and Money Purchase Accounts Plan

The various trust accounts and Money Purchase Accounts Plan are credited with interest equivalent or comparable to the Fund's annual rate of return. The breakdown of these allocations is as follows:

| | 2010 | 2009 |
|---|---|---|
| The Province of Manitoba Unfunded Pension Liability Trust Accounts | $ 126,006 | $ 68,262 |
| Correctional Officers' Trust Account | 541 | 512 |
| Employer Trust Accounts | 6,757 | 6,571 |
| Money Purchase Accounts Plan | 2,004 | 2,068 |
| | $ 135,308 | $ 77,413 |

## 18. Managed Investment Funds

The Board acts as investment manager for other funds, which are separate and have been excluded from these financial statements.

The fair values of these other funds under administration on a trade date basis at December 31 are:

| | 2010 | 2009 |
|---|---|---|
| The Manitoba Hydro Pension Fund | $ 754,036 | $ 698,273 |
| Joint Board of Trustees of The Municipal Employees Benefits Program | 462,121 | 416,298 |
| The Public Service Group Insurance Fund | 135,296 | 124,415 |
| Centra Gas Manitoba Inc. | 81,907 | 70,583 |
| Manitoba Liquor Control Commission | 52,328 | - |
| Winnipeg Child and Family Services Employee Benefits Retirement Plan | 23,734 | 21,512 |
| Workers Compensation Board of Manitoba | 18,918 | 85,319 |
| Legislative Assembly Pension Plan | 13,200 | 10,420 |
| | $1,541,540 | $1,426,820 |

The Board recovers its administrative costs for this service by charging an investment management fee, which is deducted from investment management expenses in Schedule 3.

## 19. Comparative Amounts

The comparative amounts presented in the financial statements have been restated to conform to the current year's presentation.

# Schedule 1 - The Civil Service Superannuation Fund

## Consolidated Summary of Investments
**as at December 31, 2010**

| ($) Thousands | 2010 | 2009 |
|---|---|---|
| **Fixed income investments** | | |
| Cash and Short-term | | |
| Government and corporations | $ 77,846 | $ 110,720 |
| Bonds and debentures | | |
| Pooled fund | 1,146,595 | 1,242,838 |
| Mortgages | | |
| Other | 160 | 330 |
| Index-linked | 29,482 | 31,412 |
| **Total fixed income investments** | **1,254,083** | **1,385,300** |
| **Equity investments** | | |
| Pooled funds | | |
| Domestic | 1,322,500 | 969,677 |
| Foreign | 1,776,962 | 1,132,033 |
| Real estate | | |
| Participating bonds | 83,818 | 82,152 |
| Shares, Note 3(b)(v) | 257,445 | 274,745 |
| Petroleum and natural gas shares, Note 5 | 197,023 | 131,432 |
| Venture capital | 23,724 | 25,850 |
| **Total equity investments** | **3,661,472** | **2,615,889** |
| **Investments, Exhibit A** | **$4,915,555** | **$4,001,189** |

## Consolidated Schedule of Contributions

**For The Year Ended December 31, 2010**

| ($) Thousands | 2010 Employers | 2010 Employees | 2010 Total | 2009 Total |
|---|---|---|---|---|
| **Non-Matching Employers, Note 1 (b)** | | | | |
| Province of Manitoba Civil Service | $ 98,371 | $50,279 | $148,650 | $143,882 |
| Manitoba Hydro-Electric Board | 36,411 | 23,496 | 59,907 | 55,709 |
| Manitoba Public Insurance Corporation | 5,977 | 6,375 | 12,352 | 10,821 |
| Red River College | - | 4,730 | 4,730 | 4,687 |
| Liquor Control Commission | 2,828 | 1,688 | 4,516 | 4,356 |
| Addictions Foundation of Manitoba | 816 | 895 | 1,711 | 1,938 |
| Community Colleges | | | | |
| University College of the North | - | 1,173 | 1,173 | 1,098 |
| Assiniboine Community College | 9 | 1,151 | 1,160 | 1,153 |
| Regional Health Authorities | | | | |
| Winnipeg | - | 768 | 768 | 799 |
| Brandon | - | 693 | 693 | 772 |
| Central | - | 177 | 177 | 241 |
| Assiniboine | - | 152 | 152 | 206 |
| Interlake | - | 142 | 142 | 174 |
| Parkland | - | 124 | 124 | 155 |
| South Eastman | - | 102 | 102 | 123 |
| Nor-Man | - | 79 | 79 | 97 |
| North Eastman | - | 53 | 53 | 59 |
| Burntwood | - | 37 | 37 | 39 |
| The Legal Aid Services Society of Manitoba | 18 | 670 | 688 | 693 |
| Diagnostic Services of Manitoba | - | 451 | 451 | 387 |
| Manitoba Centennial Centre Corporation | 317 | 124 | 441 | 422 |
| Teachers' Retirement Allowances Fund Board | 100 | 146 | 246 | 295 |
| Communities Economic Development Fund | 66 | 60 | 126 | 104 |
| Manitoba Horse Racing Commission | 66 | 6 | 72 | 27 |
| The Council on Post Secondary Education | - | 45 | 45 | 55 |
| Workers Compensation Board | 3 | - | 3 | 15 |
| **Total Non-Matching Employers** | $144,982 | $93,616 | $238,598 | $228,307 |

## Consolidated Schedule of Contributions

**For The Year Ended December 31, 2010**

| ($) Thousands | 2010 Employers | 2010 Employees | 2010 Total | 2009 Total |
|---|---|---|---|---|
| **Total Non-Matching Employers, continued** | **$144,982** | **$ 93,616** | **$238,598** | **$228,307** |
| **Matching Employers, Note 1 (b)** | | | | |
| Manitoba Lotteries Corporation | 3,232 | 3,699 | 6,931 | 6,788 |
| Manitoba Housing Authority | 922 | 1,047 | 1,969 | 1,682 |
| Manitoba Agricultural Services Corporation | 762 | 567 | 1,329 | 1,361 |
| Manitoba Government and General Employees' Union | 409 | 445 | 854 | 747 |
| CUPE Support Workers | 369 | 434 | 803 | - |
| All Nations Coordinated Response Network | 334 | 382 | 716 | 605 |
| Civil Service Superannuation Board | 280 | 302 | 582 | 562 |
| Gaming Control Commission | 177 | 201 | 378 | 376 |
| Manitoba Crop Insurance Corporation | 144 | 172 | 316 | 251 |
| Manitoba Floodway Authority | 144 | 163 | 307 | 244 |
| National Agri-Food Technology Centre | 123 | 138 | 261 | 233 |
| Travel Manitoba | 119 | 137 | 256 | 246 |
| Manitoba Hydro Utilities Service | 115 | 135 | 250 | 309 |
| Industrial Technology Centre | 69 | 77 | 146 | 179 |
| Dairy Farmers of Manitoba | 55 | 63 | 118 | 125 |
| Hams Marketing Services Co-op Inc. | 41 | 47 | 88 | 87 |
| Manitoba Arts Council | 32 | 44 | 76 | 62 |
| Manitoba Pork Council | 38 | 37 | 75 | 84 |
| Manitoba Film and Sound | 35 | 38 | 73 | 70 |
| Crown Corporations Council | 21 | 28 | 49 | 52 |
| Manitoba Chicken Producers | 19 | 22 | 41 | 39 |
| Manitoba Cattle Enhancement Council | 13 | 15 | 28 | 22 |
| Manitoba Turkey Producers | 5 | 6 | 11 | 14 |
| MFC Testing and Research Inc. | 4 | 5 | 9 | - |
| Economic Innovation and Technology Council | - | - | - | 1 |
| **Total Matching Employers** | **$ 7,462** | **$ 8,204** | **$ 15,666** | **$ 14,139** |
| **Total Employers, Non-Matching and Matching** | **$152,444** | **$101,820** | **$254,264** | **$242,446** |

## Consolidated Schedule of Contributions

**For The Year Ended December 31, 2010**

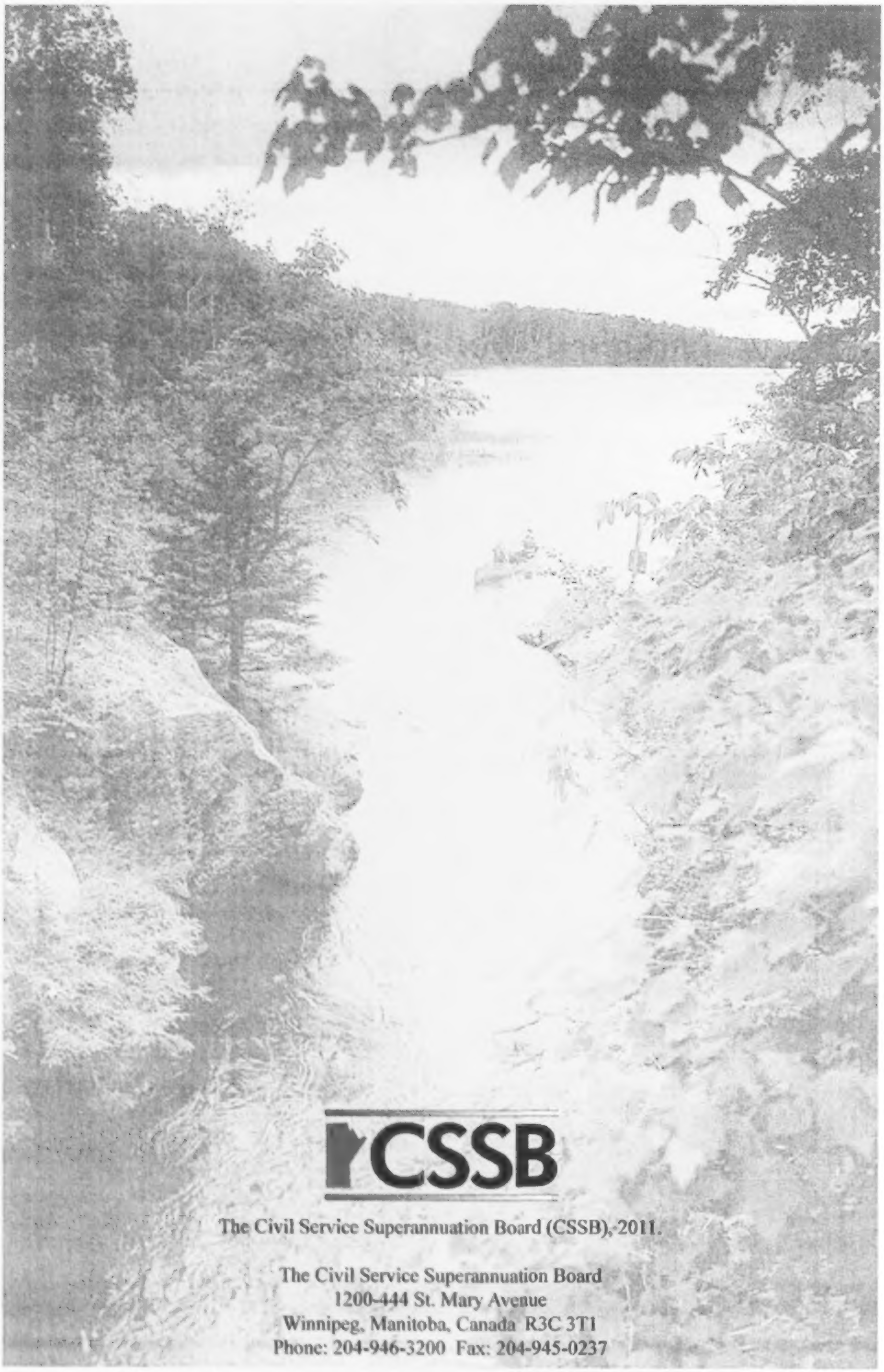
| ($) Thousands | 2010 Employers | 2010 Employees | 2010 Total | 2009 Total |
|---|---|---|---|---|
| **Total Employers, Non-Matching and Matching, continued** | **$152,444** | **$101,820** | **$254,264** | **$242,446** |
| **Other** | | | | |
| Employees on loan | 1 | 1 | 2 | 2 |
| Employees on workers compensation | - | 11 | 11 | 10 |
| Reciprocal agreement - transfers in | - | 6,004 | 6,004 | 6,763 |
| Reciprocal agreement - transfers out | (1,190) | (1,413) | (2,603) | (5,221) |
| Repayment of contributions previously refunded | - | 89 | 89 | 145 |
| Contributions based on prior non-pensionable employment | - | 2,842 | 2,842 | 2,417 |
| Transfer from Money Purchase Accounts Plan | - | 570 | 570 | 587 |
| **Total Other** | **$ (1,189)** | **$ 8,104** | **$ 6,915** | **$ 4,703** |
| **Total contributions, Exhibit B** | **$151,255** | **$109,924** | **$261,179** | **$247,149** |

## Schedule 3 - The Civil Service Superannuation Fund

### Consolidated Schedule of Investment Income

**For The Year Ended December 31, 2010**

| ($) Thousands | 2010 | 2009 (Restated) Note 19 |
|---|---|---|
| **Fixed income** | | |
| Short term | $ 976 | $ 735 |
| Bonds and debentures | 50,126 | 60,894 |
| Mortgages | 1,789 | 2,358 |
| **Total fixed income** | **52,891** | **63,987** |
| **Equity income** | | |
| Pooled funds | 60,279 | 51,841 |
| Real estate | 13,218 | 17,395 |
| Petroleum and natural gas shares, Note 5 | - | 2,977 |
| Venture capital | 8 | 351 |
| **Total equity income** | **73,505** | **72,564** |
| **Gross investment income** | **126,396** | **136,551** |
| **Less:** | | |
| Investment management expenses, net, Note 18 | 3,743 | 3,409 |
| Interest allocated to employee future benefits obligations | 137 | 139 |
| | **3,880** | **3,548** |
| **Net investment income, Exhibit B** | **$122,516** | **$133,003** |



CSSB



The Civil Service Superannuation Board
1200-444 St. Mary Avenue
Winnipeg, Manitoba, Canada R3C 3T1
Phone: 204-946-3200 Fax: 204-945-0237